INDIAN TARIFF BOARD

Cotton Textile Industry

Volume III

The representations submitted to the Indian Tariff Board by the Chamber of Commerce and Individuals, and other Miscellaneous Statements

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No. 341-T. (150).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

New Delhi, the 9th April 1932.

RESOLUTION.

TARIFFS.

By the Cotton Textile Industry (Protection) Act, 1930, protective duties were imposed on cotton piecegoods for a period of three years in order to give the cotton mill industry in India temporary shelter against foreign competition. These duties are fixed at a lower rate on piecegoods of British than on those not of British manufacture. By the same Act the operation of the duty imposed by the Indian Tariff (Cotton Yarn Amendment) Act, 1927, was extended for a further period of three years on account of the unfair competition arising from the prevalence of inferior labour conditions in China. These duties will expire on the 31st March, 1933. An assurance was, however, given by Government to the Legislature, when the Cotton Textile Industry (Protection) Bill was under consideration, that before the termination of the three-year period the effect of the duties on the production of cotton piecegoods in India and on the Indian cotton textile industry would be examined in a Tariff Board enquiry.

2. Since the Cotton Textile Industry (Protection) Act was passed three noteworthy changes have occurred. In the first place, the rates of duty imposed on cotton piecegoods under the Act have been raised by two successive Finance Acts, and are now levied at a rate substantially higher than the Legislature found to be necessary to give temporary shelter to the indigenous industry. In the second place, a very large increase has occurred in the imports of piecegoods made wholly or partly of artificial silk, and the duties on such goods have been raised to the rates applicable to goods made wholly or partly of real silk. Finally, the Government of India have decided to discuss at the forthcoming Imperial Conference at Ottawa the question whether Great Britain and India should enter into a trade agreement embodying a preferential tariff regime so designed as to benefit the trade of both countries.

3. The Government of India consider that the Tariff Board enquiry should now be undertaken. The Board is requested to examine the following questions and to make recommendations:—

(1) Whether the claim of the Indian cotton textile industry to protection has been established;

(2) If the claim is found to be established, in what form protection should be given and to what extent;

(3) If it is proposed that protection should be given by means of import duties—

(*a*) whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere; and

(*b*) what rates of duty are recommended in respect of—

(i) cotton piecegoods,

(ii) piecegoods made wholly or partly of artificial silk, and

(iii) cotton twist and yarn, according as they are manufactured—

A. in the United Kingdom,

B. elsewhere.

In making its recommendations the Tariff Board will take all relevant considerations into account including that stated in part (*b*) of the Resolution adopted by the Legislative Assembly on the 16th February, 1923. In particular the Board is requested to consider how its recommendations will affect the handloom weaving industry.

4. Firms or persons interested who desire that their views should be considered by the Tariff Board should address their representations to the Secretary to the Board.

ORDER.—Ordered that a copy of the above Resolution be communicated to all local Governments and Administrations, all Departments of the Government of India, the Director General of Commercial Intelligence and Statistics, the Central Board of Revenue, the Indian Trade Commissioners, London and Hamburg, the Secretary, Tariff Board, the High Commissioner for India, London, His Majesty's Trade Commissioner in India, the Canadian Trade Commissioner in India, all Chambers of Commerce and Associations, the French Trade Commissioner in India, Burma and Ceylon and the Secretary, Imperial Council of Agricultural Research.

Ordered also that it be published in the *Gazette of India.*

Press Communique issued by the Tariff Board on the 11th April 1932.

The Government of India in their Resolution No. 341-T. (150), dated the 9th April, 1932, have directed the Tariff Board to enquire into the question of granting protection to the Cotton textile industry.

2. The following points have been specifically referred to the Board for investigation:—

(1) whether the claim of the Indian Cotton textile industry to protection has been established;

(2) if the claim is found to be established, in what form protection should be given, and to what extent;

(3) if it is proposed that protection should be given by means of import duties—

(*a*) whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere; and

(*b*) what rates of duty are recommended in respect of—

(i) cotton piecegoods,

(ii) piecegoods made wholly or partly of artificial silk, and

(iii) cotton twist and yarn,

according as they are manufactured—

(*a*) in the United Kingdom.

(*b*) elsewhere.

3. The Board has also been requested to consider how its recommendations will affect the handloom weaving industry.

4. Firms or persons interested who desire that their views should be considered by the Board should address their representations (with six spare copies) to the Secretary, Tariff Board, Old Custom House, Bombay, so as to reach the Board's office *not later than the 25th May*. On receipt of such representations, the Board will issue as early as possible a questionnaire setting out the points on which detailed information will be required. The dates for the public examination of witnesses will be notified in due course.

(1) Questionnaire relating to the Cotton Textile Industry.

NOTE.—(1) Please confine your answers to matters with which you are directly acquainted and on which you are in a position to supply the Board with detailed evidence.

(2) Replies to the questionnaire (with six spare copies) should reach the Secretary, Tariff Board, Old Custom House, Bombay, not later than the 15th of July.

1. In his *Report on the Import Tariff on Cotton piecegoods and on external competition in the cotton piecegoods Trade* (1929, Calcutta: Government of India Central Publication Branch). Mr. G. S. Hardy examined in detail the extent and severity of the competition which the Indian Mill industry had to meet from imported piecegoods. His principal conclusions are summarised below. Please state how far, from your knowledge of the present condition of the Indian market and the Indian industry, you consider that these conclusions still hold good or should be modified. If you think that the conclusions should be modified, please give full reasons for your answer in each case and a detailed statement of such statistical evidence as you can produce in support of your opinion:—

(i) Only about one per cent. of the cloth returned as "Grey or Bleached" by the Indian mills is bleached (paragraph 8).

(ii) Calcutta is the principal market for grey cloth of Indian production, and 90 per cent. of the Dhutis and 65 per cent. of other grey goods are sold either on the Calcutta market or in the area served in respect of imports by Calcutta (paragraph 9).

(iii) Less than 30 per cent. of the coloured goods produced in the Indian mills are sold in the Calcutta area (paragraph 9).

(iv) Roughly 80 per cent. of the total output of piecegoods in the Indian mills and 75 per cent. of the output of Dhutis and shirtings are woven from counts below 25s. About 13 per cent. of the Dhutis and shirtings are woven from yarns 26s to 30s 9 per cent. from 31s to 40s and 3 per cent. from 41s and over (paragraph 10).

(v) The trade in Dhutis imported from the United Kingdom and the Indian mill production overlap only to a small extent in the region of medium counts (paragraph 12).

(vi) The imports of Dhutis from Japan consist almost entirely of goods woven from yarn of counts 30s and above (paragraph 12).

(vii) Competition in heavy shirtings from Japan reacts unfavourably on sales of Indian sheetings (paragraph 14).

(viii) Indian mills hold their own in the production of grey drills and jeans in which the demand is almost entirely for a heavy class of goods (paragraph 15).

(ix) There is little, if any, production of the finer classes of grey goods in India (paragraph 15).

(x) The import trade in white goods remains mostly in the hands of Lancashire and consists largely of goods whose fineness is above the limit at which production from Indian cotton is possible (paragraph 16).

(xi) Printed drills and jeans from Japan and printed shirtings from Japan and Italy compete with Indian woven striped shirtings. Fancy "Prints and Chintz" from the United Kingdom do not compete with any Indian product (paragraph 17).

(xii) Competition in dyed goods has not shown any increase since 1927 (paragraph 17).

(xiii) In colour-woven goods, the principal competition is from Japanese striped shirtings, twills and coarse drills (paragraph 17).

(xiv) The maintenance of the export trade in Indian coloured cloth suggests that competition is not as severely felt as in the grey goods trade (paragraph 17).

(xv) There is very little direct competition in coloured goods between the United Kingdom and Indian mills. The only serious external competitor is Japan, though Italy may become a formidable rival (paragraph 17).

(xvi) If allowance be made for fluctuations in the price of raw cotton, there has been no general reduction in the price of Japanese cloth since 1926-27 (paragraph 19).

(xvii) Over a range of cloth in which the cost of raw cotton per pound of cloth does not vary appreciably, the severity of competition increases with the price (paragraph 20).

(xviii) The fact that, area for area, fine cloth is often cheaper than coarse cloth causes indirect competition between imported fine cloths and locally made coarse cloths (paragraph 22).

(xix) A general movement of prices in any particular range of cloth is apt to react on the price of other cloths of an entirely different nature (paragraph 22).

(xx) Artificial silk yarn is being used to an increasing extent in the weaving of striped cotton goods and the borders of Dhutis. To this extent artificial silk yarn is an ally rather than a competitor of cotton (paragraph 22).

(xxi) The imports of artificial silk cloth and of mixed cotton and artificial silk fabrics are in competition with real silk goods rather than with cotton goods (paragraph 22).

2. Please prepare a statement of recent prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of comparable classes of cloth imported from the United Kingdom and from Japan. It would assist the Board greatly if, besides recent prices, you could furnish also a statement of average prices for each year from 1926.

N.B.—It is important that the prices should relate to the same period in each case and that the goods of each class for which prices are supplied should, if they are not exactly comparable, be at least near each other in respect of dimensions, counts of warp and weft and reed and pick. These particulars should, if possible, be stated in each case. The list of piecegoods selected for the purpose should contain those classes of which considerable quantities are imported both from the United Kingdom and from Japan.

3. It has been suggested that in the case of Indian mill cloth woven from inferior counts of yarn, of which the bulk of the Indian consumption is supplied by the indigenous industry, the existence of internal competition presents an excessive rise in prices relatively to imported cloth when additional import duties are levied. Do you agree with this suggestion? Please prepare a statement for the past five years showing the wholesale market prices at the beginning of each half year, of typical classes of Indian cloth woven from yarn falling approximately within the following counts:—

(*a*) 1s to 20s

(*b*) 21s to 30s

(*c*) 31s to 40s and

(*d*) 41s and above.

4. Is there generally any marked difference between the wholesale prices published by Millowners' Associations and the prices actually realised by

individual mills? Please support your answer by figures and explain the reasons for the difference, if any.

5. To what extent do the prices prevailing at important centres of production such as Bombay and Ahmedabad affect the general level of prices in the country? If, for instance, Bombay mills are compelled for any reason to cut prices, is it your experience that a similar reduction of prices occurs at other centres of production?

6. Are there any circumstances which in your opinion render it likely that if the protective duties were withdrawn in 1933 and there was in consequence a substantial decline in Indian production at certain centres, the deficiency would be supplied, if at all, only partially by increased production at other centres in India but mainly by a permanent increase in imports from other countries? If so, please explain what these circumstances are.

7. Please give the following information regarding freights:—

(i) the railway freight on raw cotton from the principal centres of cultivation in India;

(ii) the railway freight on cotton piecegoods from (*a*) Bombay, (*b*) Ahmedabad, (*c*) Calcutta and (*d*) Karachi to the principal piecegoods markets in Upper India;

(iii) the railway freight on cotton piecegoods from (*a*) Bombay and (*b*) Ahmedabad to Calcutta;

(iv) the steamer freight on cotton piecegoods from Bombay to (*a*) Calcutta and (*b*) Karachi;

(v) the steamer freight on cotton piecegoods from (*a*) Japanese and (*b*) United Kingdom ports to Indian ports.

8. Please explain what steps, if any, have been taken to develop the export market for Indian yarn and piecegoods since the publication of the Report of the Trade Mission to the Near East in 1928.

9. Please supply any information which you may possess on the following points regarding the handloom weaving industry:—

(i) Extent of the industry—number of weavers and of handlooms and approximate estimate of maximum and present production.

(ii) Principal classes of cloth woven and the extent to which they compete in the market with mill products and with imported piecegoods.

(iii) Approximate cost of manufacture of typical classes of cloth.

(iv) Prices realised for principal classes of cloth in 1929, 1930 and 1931 and current prices; prices of comparable classes of mill made and imported cloth at each period.

(v) Kinds of yarn used—Indian or foreign mill made or hand spun; counts of yarn; approximate proportion in which each is used; prices of different kinds of yarn.

(vi) Extent to which protective duties on cotton (*a*) yarn and (*b*) piecegoods will affect the handloom industry.

(vii) Effects, if any, on the handloom weaving industry of the existing import duties on artificial silk yarn and piecegoods.

10. Please supply any information which you may possess on the following points regarding the hand spinning industry:—

(i) The present output, as approximately estimated, of handspun yarn in India, and its distribution among the different provinces. Please explain how the output is estimated.

(ii) The main sources and qualities of raw cotton used.

(iii) The prices at which handspun yarn is sold and the prices of comparable classes of mill made yarn.

(iv) The cost of manufacturing handspun yarn.

(v) Whether handspun yarn is used entirely by handloom weavers or also by Indian mills; in the latter case, to what extent?

(vi) How far protective duties on cotton (*a*) yarn and (*b*) piecegoods will affect the hand spinning industry.

(vii) Effects, if any, on the hand spinning industry of the existing import duties on artificial silk yarn and piecegoods.

11. Do you consider that a decline in the output of Indian mills either generally or in particular lines of goods will adversely affect the India cultivator or cotton—

(*a*) by reducing the nett demand for Indian cotton, or

(*b*) by discouraging the growth of long staple cotton?

N.B.—In order to facilitate discussion, some considerations relevant to this question are indicated below. If there is a decline in the production of Indian mills as the result of foreign competition, it may be argued that it will be replaced mainly by imports from Japan which is the largest foreign purchaser of Indian cotton. There will therefore be little, if any, reduction in the nett demand for Indian cotton. On the other hand, it may be possible for Japan hereafter to draw its supplies of cotton increasingly from other sources. This may happen normally, but the danger is specially great whenever there is a break in the price relation between Indian and other cotton in the direction of a lowering of the latter. Such a break has apparently occurred at least twice during the past six years. Does the Indian cultivator normally realise a lower nett price for cotton exported than for cotton sold in India? If so, even if a reduced demand for cotton in India were followed by an increased demand from Japan, the nett earning of the ryot would be diminished. As regards the cultivation of long staple cotton, it is economically advantageous to the ryot to increase the area under improved varieties so as to meet the demand of Indian mills in respect of finer yarn. Nevertheless a stage may be reached when it may prove of doubtful advantage to the Indian cultivator to replace short by long staple cotton. Climatic conditions in most parts of the country favour the growth of short rather than long staple cotton. The former being to a large extent a monopoly of the Indian cultivator would probably give him in the long run a more dependable market.

12. To what extent is the raw cotton now imported into India of the same quality as Indian long staple cotton? Do you consider that the present import duty on raw cotton materially helps the Indian cultivator?

13. (*a*) Please state the most important classes of Indian mill made cloth —grey, bleached and coloured—which come into competition directly or indirectly with imported cloth.

(*b*) Please give the following particulars regarding any one kind of cloth included in each class which may be regarded as typical of that class:—

(i) Dimensions and weight.

(ii) Counts of warp and weft.

(iii) Reed and pick.

14. Please state the principal classes of imported cloth, giving the correct trade description in each case, which generally enter into competition, directly or indirectly, with each class of Indian cloth mentioned in reply to question 13 (*a*).

15. Please prepare a statement in the following form showing the total works expenditure at your mill or mills for each of the past five years:—

——	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
1. Labour inclusive of bonus and all allowances.					
2. Fuel and Power . .					
3. Water . . .					
4. Stores consumed . .					
5. Repairs and maintenance					
6. Supervision and office allowance and establishment.					
7. Insurance . . .					
8. Rent, rates and taxes (excluding income and super-tax).					
9. Packing . . .					
10. Selling expenses (showing separately expenses of sales through (*a*) agents and (*b*) shops)					
11. Other expenses incurred .					
Total output of cloth lbs. yards.					
Total output of yarn including both yarn used at the mill and yarn sold out. lbs.					

16. Please prepare a statement in the following form of the works cost at selected mills per unit of each typical kind of cloth mentioned in reply to Question 13 (*b*) for each of the past five years:—

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
1. Labour inclusive of bonus and all allowances.					
2. Fuel and Power . .					
3. Water . . .					
4. Stores consumed . .					
5. Repairs and maintenance					
6. Supervision and office allowance and establishment.					
7. Insurance . . .					
8. Rent, rates and taxes (excluding income and super-tax).					
9. Packing . . .					
10. Selling expenses (showing separately expenses of sales through (*a*) agents and (*b*) shops).					
11. Other expenses incurred. Output of the particular kind of cloth. lbs. yards.					

N.B.—(1) The cost of raw cotton is excluded from the above statements.

(2) The following items of expenditure are also excluded depreciation, commission of managing agents, interest on working capital. These are referred to in subsequent questions.

(3) It is essential that the costs given should be those of mills possessing a reasonable degree of efficiency. It is therefore suggested that in the case of the Bombay and Ahmedabad Millowners' Associations, costs in the form prescribed should, if possible, be supplied for, say, five mills and in the case of other associations or bodies, for two or three mills, in their area of reasonable equipment, capacity and output. Particulars regarding the equipment, capacity and output of each mill should be stated. Not more than one mill should be selected from the same group. Individual millowners not represented by any Millowners' Association or other body are requested to fill up the forms in respect of their own mills.

(4) In the case of those items of expenditure which are not directly charged to each kind of cloth, the method by which the total expenditure at the mill is allocated among the different kinds of cloth should be explained. It will be obvious that unless the method of allocation is explained, it will be impossible for the Board to judge the accuracy of the costs given.

(5) The Board will undertake not to disclose the identity of the mills of which costs are supplied or to publish any figures given in reply to these questions, if it is so desired.

17. Please state—

(i) the average price realised *ex*-mill in each year during the past five years for each kind of cloth for which costs are given,

(ii) the most recent price realised *ex*-mill for each kind of cloth.

N.B.—The prices should be those realised by the mills of which costs are given. They should be nett prices realised *ex*-mill.

18. Please state—

(i) the average price per pound (delivered at mill) in each year during the past five years of raw cotton of the kind used in the manufacture of each kind of cloth,

(ii) the average price per pound (delivered at mill) in the current year of raw cotton of the kind used in the manufacture of each kind of cloth.

N.B.—The prices should be those actually paid by the mills of which costs are given.

19. Please submit figures, for the past five years, of profits or losses made by the mills of which costs are given in forward transactions in cotton, distinguishing those relating to hedging operations.

20. With regard to each kind of cloth for which costs are given, please state the percentage of wastage (i) of raw cotton in the manufacture of yarn and (ii) of yarn in the manufacture of cloth.

21. What is the additional weight given to each kind of cloth by the sizing and other materials normally used in its manufacture?

22. Please explain as fully as possible the reasons for the variation in the works costs since the year 1927 as shown in reply to questions 15 and 16. Details should be given regarding the progress, if any, in the efficiency of spinning and weaving operations.

23. To what extent are the present costs of manufacture higher than those shown for 1931 as the result of new or increased import duties on raw cotton and other materials and on machinery, increased railway freight, labour legislation or other causes?

24. Please prepare a statement, in the form shown in Question 16, of the present cost of manufacturing a typical class of Indian yarn competing with imported yarn.

25. Please state the current prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of the principal classes of imported yarn which compete with Indian. Please state the prices realised by you for corresponding kinds of yarn spun in Indian mills.

26. To what extent are Indian mills in a position to manufacture yarn of the kind required for the manufacture of hosiery goods? What is the quantity supplied by Indian mills at present for this purpose?

27. What do you consider a reasonably economical size for a combined spinning and weaving mill in India? Taking the qualities in which competition is greatest, what is the normal annual capacity, stated in quantities of yarn and cloth, of a mill equipped on this scale?

28. Please prepare an estimate of the capital expenditure required for equipping and erecting a mill of this size in India, according to the prices of machinery, etc., prevailing (i) in 1928 and (ii) at present. The cost of (*a*) buildings and (*b*) plant and machinery should be shown separately.

29. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider these rates reasonable in the case of mills working (i) single shift and (ii) double shift?

30. Please furnish figures for the past five years showing (i) the average value of the stocks of materials (including raw cotton) and of finished goods and (ii) the average outstandings in respect of goods sold.

31. Do you consider that sufficient facilities are available for borrowing working capital? What is the rate of interest generally payable?

32. Please state the amount annually charged by managing agents for (i) office allowance and expenses and (ii) commission during the past five years. Do you consider that these charges represent a fair standard of remuneration?

33. In addition to remuneration by commission on production or profit, do the Managing Agents of the mills of which costs are given, receive either directly or indirectly any allowance or commission on (*a*) purchases of cotton, machinery, stores, coal, etc., (*b*) sales of cotton, yarn and cloth and (*c*) insurance, advertisements, etc. If so, please state the rates at which such allowance or commission is charged.

34. (*a*) Please supply copies of the balance sheets for the past five years of the mills of which costs are given.

(*b*) Please supply also copies of the managing agency agreements of these mills.

35. (A) What are the directions in which you consider that by reorganisation of the labour conditions, processes of manufacture, management, system of purchases and sales, or finances of the industry, or in other ways, further reductions in the costs of manufacture may be effected?

(B) Please furnish as detailed an estimate as the data in your possession will permit of the extent of the economies which may be expected in the directions mentioned in reply to Question 35 (A).

N.B.—In replying to this question, reference should be made particularly to the following matters:—

(i) What steps can be taken to facilitate the introduction of the scheme of standardisation in respect of muster rolls and wages and to secure the co-operation of labour?

(ii) What steps can be taken to facilitate the adoption of efficiency schemes involving such measures as—

(*a*) the extension of the piece-work system to spinners and an increase in the number of spindles allotted to each spinner,

(*b*) an increase in the number of looms attended by a weaver,

(*c*) similar measures in the preparatory departments, and

(*d*) the adoption of automatic looms and other improved types of machinery?

(iii) What steps can be taken to secure further facilities for the technical education of mill operatives?

(iv) To what extent can the difficulties under which the mill industry labour be relieved by the specialisation of particular mills in the manufacture of particular kinds of cloth, what are the difficulties which have to be met before specialisation to the extent found to be desirable can be carried out and how are these difficulties to be overcome?

(v) Is the existing organisation of the mill industry satisfactory and to what extent can it be improved by amalgamation and grouping of mills so as to constitute larger units under one general control?

(vi) What measures can be taken to improve the existing system of management of the mills so as to reduce costs to the utmost and secure the highest degree of efficiency?

(vii) Is it desirable and practicable in the existing circumstances of the industry that the mills should bind themselves to regard depreciation as a first charge on profits?

(viii) What steps are necessary to bring about the writing down of capital in the case of those mills which have not already taken steps to that end?

(ix) Is it desirable that the mills should bind themselves to limit dividends until certain conditions have been satisfied?

(x) What steps (if any) should be taken by the Millowners' Association as an organised body to bring about—

(*a*) co-operation in the purchase of raw cotton,

(*b*) closer touch with the consuming centres in the interior of India,

(*c*) co-operative marketing of lines of cloth in general demand,

(*d*) co-operation in the export of cotton cloth?

(xi) What steps can be taken to bring about better relations between the mill management and the labour employed in the mills?

(xii) What steps have been taken to remedy or prevent the undesirable practices referred to by the Indian Tariff Board in 1927 in paragraphs 58, 79, 83 and 84 of its Report?

(xiii) What progress has been made since 1927 in securing sufficient technical knowledge among members of managing agency firms?

36. Do you consider that the development of the Indian Cotton Textile industry is hampered in any respect by the existing Company law in India? If so, what definite suggestions have you to make?

37. Do you consider that inferior labour conditions still prevail in the cotton textile industry in countries competing with India? If so, please estimate the advantage possessed by the Cotton industry in those countries over the Indian industry?

38. Have there been any developments in respect of bounties and subsidies. exchange depreciation or other circumstances subsequent to 1926 which call for a reconsideration of the conclusions stated in paragraph 35 of the Report of the Indian Tariff Board, 1927, regarding unfair competition on the part of countries competing with India?

39. If you consider that protection should be continued, please state (i) in what form, (ii) at what rates, (iii) for what period and (iv) against imported goods of what classes and countries of origin, protection should be granted in future?

40. If you think that protection should be granted in the form of specific duties, please state, in view of the difficulties pointed out by Mr. Hardy in Chapter VI of his report as regards the administration of specific duties on cotton piecegoods, what you consider to be the most suitable basis for such duties?

41. The present tariff on cotton twist and yarn has been fixed with reference to the advantage possessed in the first instance by Japan and subsequently by China in respect of inferior labour conditions. Do you propose any change in the present basis of the duty on yarn? Please explain fully the grounds on which your proposal is based.

42. Do you consider that the present tariff definition of "plain grey" piecegoods requires modification? If so, in what respects?

43. If you consider that protection is required against imported piecegoods made wholly or partly of artificial silk, please state (i) what duties you propose, (ii) the grounds on which your proposal is based and (iii) whether you consider the present tariff definition and grouping of artificial silk goods satisfactory (see Articles 100-A, 45-A and 133 of the Statutory Tariff Schedule).

44. If a case for protection is established, how far is it possible in your opinion to adopt a system of preferential duties on cotton goods imported from the United Kingdom consistently with the interests of (i) the Indian cotton textile industry, (ii) the Indian consumer of cotton goods and (iii) the general tax-payer in India.

45. Do you propose that any assistance should be granted to the industry by other means than tariffs? If so, please explain what your proposals are?

(2) Questionnaire relating to the Hosiery Industry.

1. What is (i) the total number of factories engaged in the manufacture of hosiery goods in India and (ii) the total number of labourers employed?

2. How many factories are worked (a) by power and (b) by hand?

3. Please give a brief description of (a) the plant and equipment of the hosiery factory or factories in which you are interested and (b) the methods of manufacture followed.

4. Please state the principal classes of hosiery goods manufactured by you and the approximate quantity of each class manufactured annually.

5. Please state in the following form the cost of manufacturing a typical class of hosiery goods for the latest year for which figures are available:—

Works expenditure per unit of typical class of hosiery goods.

(1) Yarn (stating quantity required per unit of hosiery goods).
(2) Other materials.
(3) Labour.
(4) Power and fuel.
(5) Repairs and maintenance.
(6) Supervision and office establishment.
(7) Packing and selling expenses.
(8) Miscellaneous.

Annual output of all classes of hosiery goods in your factory No./lbs.

6. What is the maximum capacity of your factory?

7. Please estimate the capital expenditure required for equipping and erecting in India a hosiery factory of reasonably economical capacity and equipment under present day conditions.

8. What are the rates of depreciation allowed by the Income-tax authorities? Do you consider these rates reasonable?

9. What are the current prices (i) c.i.f. and (ii) wholesale, at which imported hosiery goods comparable with your products are sold in India?

10. Please state the quantity of (i) Indian spun and (ii) imported, hosiery yarn purchased annually by you.

11. Are Indian mills in a position, if required, to supply the whole of the yarn consumed by you? Please specify the quality and kind of yarn required by you.

12. To what extent can you obtain in India the machinery or parts of machinery required for the manufacture of hosiery goods?

The Buyers' and Shippers' Chamber, Karachi.

Letter No. Go. 52/845, dated the 2nd May, 1932.

With reference to the Government of India, Department of Commerce, Resolution (Tariffs) No. 341-T. (150), dated New Delhi, the 9th April, 1932, I have the honour to submit my Committee's views on the questions referred to the Tariff Board for enquiry as under:—

(1) In the opinion of my Committee, in view of the definite verdict of the Tariff Board (1927) that this industry did require protection, as well as the fact that even at the time when the Cotton Textile Industry Protection Act, 1930, was on anvil, in the Legislative Assembly, there were no two opinions on this point, the only point of disagreement being whether or not the protection afforded was adequate, it is extremely surprising that the question of establishment of the claim for protection should have again been referred to the Tariff Board for enquiry.

(2) As regards the form, my Committee are strongly in favour of protection being given by means of import duties. As regards the extent to which protection should be granted, my Committee would simply say that it is the adequate protection that counts; inadequate protection would mean waste of money which the consumer is thereby asked to sacrifice.

The effect of the little protection given to the Indian Textile Industry was almost negatived by the Imperial Preference to goods imported from the United Kingdom, which was forced upon India in the greater interests of Lancashire. In fixing the extent of protection it will be borne in mind that the Indian Textile Industry has not been able to stand on its own legs till now in spite of the rates of duty having been raised by two successive Finance Acts.

(3) In this connection I am to refer you to the telegram dated the 11th March, 1929, addressed by this Chamber to the Hon'ble the Finance Member, Government of India, New Delhi, reading:—

> "My Chamber is surprised at the attempted extension of Imperial Preference principle to cotton duties, as it seriously prejudices India's right to complete fiscal autonomy. Besides India cannot afford to choose and discriminate between non-Indian competitors but must be protected against all on equal terms."

Indian Chamber of Commerce, Calcutta.

(1) *Letter No. C. 95/32, dated the 16th May, 1932.*

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to the Resolution of the Government of India, dated the 9th April, 1932, directly the Tariff Board to hold an enquiry into the question of protection to the Cotton Textile Industry. At the outset, I am desired to express my Committee's strong disapproval of one of the terms of reference to the Tariff Board, *viz.*, whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere and what rates of duty are recommended in respect of piecegoods coming from the United Kingdom and from elsewhere. There appears to be no precedent of this character in references to the Tariff Board of various industries for enquiry into the grant of protection and my committee view this action of the Government with great misgiving. My Committee trust, however, that the Tariff Board will ignore this suggestion from the Government and make recommendations for adequate protection to the Cotton Textile Industry in order that it may have the fullest development in the shortest period of time.

2. The Government of India granted protection to the Cotton Textile Industry by passing the Cotton Industry Protection Act of 1930 which imposed a protective duty on cotton piecegoods for a period of three years. By this Act, imports of piecegoods from the United Kingdom had to pay lower duties than piecegoods imported from other countries. Since this Act was passed in 1930, the rates of import duty imposed on cotton piecegoods were raised twice by two successive Finance Acts with the object of getting more revenue from this source. As will be shown hereafter the two increases have been almost offset by the imposition of or increase in duties in other directions and the increase in the Railway freight on coal.

3. There is no doubt whatever that the protection, inadequate as it was, granted to the Cotton Textile Industry in 1930 has been fully justified by events. The production of piecegoods in Indian Mills has increased from 2,176 million yards which is the average production of the quinquennium 1925-26 to 1929-30, to 2,561 million yards in 1930-31 and to 2,948 million yards roughly in 1931-32 (calculated from the production of 2,457 million yards during the 10 months from March, 1931 to January, 1932). The increase thus works out nearly to 39 per cent. The production of yarn has increased from 756 million lbs., which is the average production of the quinquennium 1925-26 to 1929-30, to 867 million lbs. in 1930-31 and to 954 million lbs. roughly in 1931-32 (calculated from the production of 798 million lbs. during the 10 months from March, 1931 to January, 1932). The increase thus works out to nearly 27 per cent. The total weight of yarn produced in the mills would have been still higher if the spinning was not in fine counts. Similarly, there has been a great decrease in the imports of cloth from foreign countries, the total imports having decreased from 1,919 million yards in 1929-30 to 889 million yards in 1930-31 and 760 million yards in 1931-32. My Committee might observe here that whatever curtailment there has been in the import of foreign cloth has, to the extent needed for actual consumption, been fully supplied by the Indian Mills. There can now be no doubt that as the quantity of cloth imported from foreign countries diminishes, India will be able to replace the same by indigenous production. My Committee would like also to observe here that the credit for this phenomenal fall in imports is due not to the imposition of import duties alone, but to the strong movement of boycott of foreign cloth and to the Swadeshi feeling in the country.

4. Imports of yarn have also witnessed a similar decrease from 43 million yards in 1929-30 to 29 million yards in 1930-31 and 23 million yards in 1931-32.

5. The consumption of Indian cotton in the Mills has also been increasing, 19 lakhs bales having been consumed in the year 1928-29, 23 lakhs in 1929-30, 22 lakhs in 1930-31 and 24 lakhs in 1931-32 (calculated from the actual figure of 14 lakhs for September to March). The consumption of Indian cotton in the Mills would have been much more, had it not been for the reduction of the difference between the prices of foreign and Indian cotton which gave stimulus to the imports of foreign cotton during the last one or two years.

6. There has been an increase in the employment of labour also in the Mills as can be seen from the higher figure of production of cloth and yarn.

7. The imposition of protective duties has also not meant any appreciable burden on the consumer as there was large internal competition which led to the cheapening of prices. In support of this, my Committee beg to give below a statement showing the average rate of Bengal, Broach and African cotton prevaling at Bombay during the years 1929, 1930, 1931 and 1932 and the market prices for four kinds of cloth manufactured from (1) $9\frac{1}{2}$s warp and 12s weft, (2) 20s warp and 24s weft, (3) 20s warp and 32s weft and (4) 40s warp and 60s weft.

Table showing the rates of Bengal, Broach and African cotton prevailing at Bombay in 1929, 1930, 1931 and 1932 and the market price for four kinds of cloth manufactured from such cloth during the same period.

Year.	Bengal Cotton.	9½s × 12s	Broach Cotton.	20s × 24s.	20s × 32s.
	(Average price per lb.)				
	A. P.	A.	A. P.	Rs. A. P.	Rs. A. P.
1929 . .	5 0	10·92	6 11	1 1 1½	1 1 2½
1930 . .	3 4	9·15	4 10	0 13 5	0 14 4
1931 . .	2 10	7·4	3 9	0 11 9	0 12 7
1932 . .	3 5	7·44	4 1	0 11 3	0 12 6

AFRICAN COTTON.

Year.	Per Candy.	Price per lb.	Price of dhoti No. 75 (40s × 60s (consuming 1¼ lb. of cotton (44″ × 10 yds.).
	Rs.	As. P.	Rs. A. P.
1929	495	10 1	2 14 6
1930	300	6 1½	2 3 6
1931	344	7 0	2 4 9
1932 (April) . . .	270	5 6	1 15 0

It will appear from the above table that while the fall in the average price of Bengal cotton from 1929 to 1932 has been 0-1-7 pies per lb. the fall in the average rate of the 9½s × 12s cloths has been 3·38 annas per lb., and that while the fall in the average price of Broach cotton from 1929 to 1932 has been 0-2-10 pies per lb., the fall in the average rates of the 20s × 24s and 20s × 32s cloths has been 0-4-10½ pies per lb. and 0-4-8½ pies per lb. respectively. Again, the price of the Bengal cotton from 1930-32 rose by 1 pie per lb. but the price of 9½s × 12s cloth fell by 1·71 annas per lb. The fall in the price of Broach cotton from 1930 to 1932 has been 9 pies per lb., but the fall in the price of 20s × 24s and 20s × 32s cloths has been 0-2-2 pies and 0-1-10 pies respectively. The price of Broach cotton has increased from 1931 to 1932 by 4 pies per lb. but there has been a reduction in the rates of 20s × 24s and 20s × 32s cloths by 6 pies and 1 pie respectively. The price of Bengal cotton rose from 1931 to 1932 by 7 pies per lb. but the price of 9½s × 12s cloth remained unchanged. While the reduction in the price of African cotton from 1929 to 1932 has been 0-4-7 pies, the fall in the price of manufactured articles has been 0-12-5 pies per lb. It may be pointed out here that as wages, etc., remain constant, the proper way to compare the rates of cotton and cloth is to compare the rise and fall per lb. and not to take the percentages of rise and fall. It can be seen from these that there has been a far greater fall in the price of cloth than in that of raw cotton during all these years. The result is that the consumer far from being burdened with an increase in price has been benefited as a result of internal competition that has grown up. By the same token, the agriculaurist has been benefited by getting a larger price for his cotton than the manufacturer for his cloth, the worker has been benefited due to increased employment and the maintenance of wages at the 1930 level. The industrialist has done his best to increase the quantity and improve the quality and decrease the cost of production. The reduction in cost has been possible on account of the record increase in the production of cloth in the mills, which brought about a fall in the overhead charges, due to their being

spread over a larger output, and eventually the mills have been able to decrease the cost of production of cloth. While as a result of the fall in the Index Number of wholesale prices and the prevalent depression, there has been a reduction in the wages of labourers in many industries, the wages of labourers in the Cotton Mills have been maintained. In other words, looking to the precipitate fall in the Index Number of prices (compiled by the Director-General of Commercial Intelligence and Statistics) from 145 in January, 1930, to 98 in January, 1931, and 94 in March, 1932, the maintenance of the wages at the 1930 level means a virtual increase, and this has improved the condition of labour. In other directions also labour welfare work such as the establishment of hospitals and schools and creches, the provision of recreation such as cinema shows and other kinds of labour welfare work has been carried out. For all these considerations, my Committee feel that the protection to the Cotton Textile Industry—meagre as it was—has been fully justified and they submit that if adequate protection had been given instead of merely "erecting a temporary shelter" under which the industry was to re-organise itself, and a Tariff Board Enquiry was to be instituted in 1932, to consider a future policy, the industry would have made greater strides and would have made India still more independent of foreign supplies.

8. As has already been pointed out, another welcome development in the industry has been that the quality of cloth produced in the country has greatly improved. A careful study of the statistics of production of cloth will indicate that the mills have produced larger quantities of fancy goods, bleached goods and also coloured piecegoods and it is the experience of consumers that the finish of the cloth manufactured by the Indian mills has also improved. There has also been a very remarkable increase in the production of higher counts of yarn and finer goods, in accordance with the recommendations by the Tariff Board during their last enquiry. The table given below will show the production of higher counts of yarn in India during the years 1928-29, 1929-30, 1930-31 and the 9 months ended December 1931, and the import thereof during a similar period:—

Production of Yarn in India.

(Million lbs.)

Year.	Total Production.	No. 31s to 40s.	Above 40s.	Total.
1928-29	648	37	10	47
1929-30	833	46	15	61
1930-31	867	60	27	87
April to December, 1931	716	52	25	77

Imports of Yarn.

(Million lbs.)

Year.	Total Import.	No. 31s to 40s.	Above 40s.	Total.
1928-29	43	19	9	28
1929-30	43	20	9	29
1930-31	29	14	4	18
April to December, 1931	23	11	3	14

9. The total quantity of yarn of counts between 31s and 40s and above 40s produced in the Indian Mills comes to 47, 61 and 87 million lbs. for the years 1928-29, 1929-30 and 1930-31 and to 103 million lbs. roughly for the year 1931-32 (calculated from the production of 77 million lbs. for the 9 months ended December, 1931). Computing at the rate of 7 lbs. of yarn to 8 lbs. of cloth and 8 yds. of the cloth to 1 lb. of cloth, woven from high counts, the total production of cloth from counts above 31s would approximate to 429 million yards in 1928-29, 557 million yards in 1929-30, 795 million yards in 1930-31 and to 941 million yards roughly in 1931-32. The production of finer goods from yarn manufactured in Indian mills only, works out to 31 per cent. of the total quantity of cloth manufactured in the Indian mills during 1931-32.

10. The production of yarn of counts between 31s and 40s in Bengal went up from 1,046,000 lbs. in 1928-29 to 2,043,000 lbs. in 1929-30 and to 3,258,000 lbs. in 1930-31. The production of counts above 40s went up from 236,000 lbs. in 1928-29 to 429,000 lbs. in 1929-30 and 471,000 lbs. in 1930-31. There has been a very noticeable increase in the production of yarn of counts between 31s and 40s as well as 40s in Bombay Island, as well as Ahmedabad. The increase in the production of fine spinning and weaving has indeed exceeded the expectations of the Hon'ble Finance Member and the Hon'ble Commerce Member as disclosed in their speeches in the Assembly in 1930. In fact, my Committee would beg to state here that the ground on which a smaller protective duty was imposed on finer goods imported from foreign countries, particularly from the United Kingdom, was that a high duty would impose a very heavy burden on the consumer without benefiting the mills which produced very little quantity of such goods. The Hon'ble Commerce Member observed in the course of a note prepared by him regarding the proposed duties on cotton piece-goods (*vide* Appendix A to the Report on the Conditions and Prospects of British Trade in India, 1929-30, by H. M. Senior Trade Commissioner in India and Ceylon):—

> "It may be urged that a 20 per cent. duty on all imported piece-goods would load to a rapid development of the industry and in particular would bring about a substantial increase in the spinning and weaving of the finer counts made from imported cotton. The answer to this plea is to be found in the Hon'ble Finance Member's Budget Speech. What Government have proposed is protection for a strictly limited objective. The object in view at the moment is not the development of industry but its preservation. The continued existence of a large number of mills in Bombay Island is threatened and it is only because the danger is so acute that Government have felt justified in proposing a measure which involves a departure from their ordinary fiscal policy. To keep the industry alive during the next three years what is required is not encouragement to launch out into new forms of manufacture, which involve new equipment and more highly trained labour, but measures which will preserve to the mills the markets in those classes of goods which they are already equipped to produce and for the manufacture of which their labour is trained. Any substantial increase in the production of the finer goods means the expenditure of capital, the purchase of new equipment and improvements in the efficiency of labour and the three years would be over before much progress could be made."

11. The Hon'ble Commerce Member also pointed out that the Government felt most strongly that the benefit the Indian Mills could derive from a 20 per cent. duty on all goods during the next three years, would be small and wholly incommensurate with the burden imposed on the consumers. He calculated that the imposition of an additional 5 per cent. duty on British goods would mean a burden on the consumer of Rs. 2 crores a year, and that ⅞th of this sum would cause no appreciable benefit to the

millowners because their output of the finer goods during the period must be very small. The remaining $\frac{1}{8}$th might benefit the industry to the extent to which Indian goods replace British goods but there is a limit to the extent of the replacement which can occur in the next three years. He also pointed out that only about $\frac{1}{8}$th of the imports from the United Kingdom compete directly with the Indian goods because in any class of goods which may be made from Indian cotton, the United Kingdom Mills have been unable to face competition of the Indian Mills and have been accordingly driven out of the market. They hold their own, the Hon'ble Sir George Rainy pointed out, only in those classes of goods which cannot be made out of Indian cotton. While it may be admitted that the Hon'ble Commerce Member was correct in holding that the protection given by the Government would *per se* have been inadequate for a proper development of the industry, the Indian Mills have been able to put up a record of which they may well be proud. Beyond preserving themselves under the temporary shelter given to them by the Government, they have achieved a record which has totally falsified the belief of the Hon'ble Commerce Member in the inefficiency and incompetency of the Indian Mills. It can no longer be doubted that with the grant of adequate protection the Indian Mills will be able to provide all the requirements of the country both in respect of quality and quantity. The progress in the past has been possible because of the strong Swadeshi spirit in the country which has helped the Indian Mills considerably in substituting the imports of foreign cloth by their own production.

12. The progress made by the Indian Mills in the production of the finer goods during the last two years has been, indeed, remarkable, and has not been confined to Bombay. Ahmedabad is in the vanguard. Centres like Delhi, Cawnpore and Bengal are also not lagging behind. There is no doubt that if adequate protection is given to the mills in order to increase their production of finer goods in competition with foreign countries, they will replace a very large portion of foreign goods within a short time. It has been the opinion of the Government that the proper time to consider what assistance the Mill industry may require in order to extend its range and undertake the manufacture of the finer goods, of which the present production is extremely small, will be when the Tariff Board enquiry is held in 1932-33 (*vide* Note by the Hon'ble Sir George Rainy regarding proposed duties on cotton piecegoods). In 1930, however, the Government insisted on Imperial Preference proposals being accepted by the Assembly, on pain of withdrawal of the measure of protection to the industry. In spite of the majority of the non-official members of the Assembly being against this policy of preference to the United Kingdom which received an advantage at the expense of India (this was calculated by Pandit Madan Mohan Malaviya and Mr. G. D. Birla at roughly about Rs. $1\frac{1}{2}$ to Rs. 2 crores per annum), the measure was passed with the help of the official block and put on the Statute Book although the President of the Assembly placed on record that the decision of the Assembly on this question could not be considered to have been arrived at on merits by the free vote of the Assembly.

13. My Committee feel that if adequate protection had been granted on finer piecegoods also in 1930, there would have been a far greater increase in the production of finer goods in Indian Mills and this would have been in accordance with the desire of the Tariff Board of 1927 which strongly recommended diversification of production in Indian Mills and spinning of higher counts of yarn as remedies for strengthening the position of the industry. The Tariff Board observed:—

> "We consider that it is essential that Bombay should utilise to the full the natural advantages it possesses in the matter of climate and of its situation in respect of imports of American or African cotton for the production of goods of higher quality than it has done in the production of grey goods, more especially of grey long-cloth and shirtings, and that it should

embark on a much larger production of bleached and coloured, printed and dyed goods. In making a recommendation that the Bombay Mills should produce a higher quality of goods we do not overlook the disadvantages in regard to which those mills, in common with all Indian Mills, suffer from the lack of suitable raw material."

14. The Tariff Board were not unaware of the fact that a large portion of Indian cotton is unsuitable for fine spinning and therefore observed that they were of the opinion that it would be to the advantage of the Bombay Mill industry to follow the example of the Japanese industry and to make a more extensive use of African and American cotton in order to enable it to place on the market qualities of cloth superior to those it is at present manufacturing.

15. Absolutely convinced that the production of higher counts of yarn and the production of goods of higher and finer quality was sure to assist the Cotton Textile Industry, the Tariff Board recommended that the Government should give stimulus to the production of finer counts of yarn by conferring a bounty on the spinning of higher counts of yarn to the Indian mills. For various reasons this recommendation of the Tariff Board was not accepted by the Government. In spite of this, the increase in production of higher counts of yarn effected by the mills is indeed encouraging and leads to the hope that if adequate protection is given to the Cotton Textile Industry, India will be able to compete with superior quality of imported cloth and yarn and will be able to eliminate to a far greater extent in the near future the import of such cloth and yarn by manufacturing the same inside the country. In this connection, my Committee would point out that the Indian Mills have already availed themselves of the advice of the Tariff Board, *viz.*, importation of foreign cotton for manufacture of finer counts of yarn. A glance at the figures of the import of foreign cotton will show that the increase of imported raw cotton has gone up from 23,980 tons in 1929-30 to 58,464 tons in 1930-31 and 67,917 tons in 1931-32. My Committee would also point out here that the levy of a duty of 6 pies per lb. during the last year on imported cotton acts as a serious handicap to the Indian mills in competition with finer qualities of cloth imported from abroad. My Committee do not, however, suggest that the duty of 6 pies per lb. on imported cotton should be repealed as by doing so, the advantage which has accrued to the Indian agriculturist in the shape of obtaining a higher price for his cotton will disappear. My Committee, however, do suggest that in consideration of the handicap thus imposed on the Cotton Mills whose cost of production has undergone an increase, adequate protection should be given so that this disadvantage may be offset.

16. Another important reason for the increase of production of finer quality of goods of Indian mills lies in the fact that on account of the severe economic distress brought about by the catastrophic fall in the prices of agricultural commodities, the purchasing power of the Indian consumer has been seriously undermined. The result has been that he is forced to make, in an increasing degree, the initial cheapness of cloth a paramount consideration in the purchase thereof. It is well known that in India people cannot often afford to discriminate with regard to quality of cloth and price is the determining factor. In this connection, my Committee would invite your attention to para. 22 of the Report on the Import Tariff on Cotton Piecegoods and on External Competition in the Cotton Piecegoods Trade by Mr. G. S. Hardy, wherein in relation to the question of indirect competition of foreign piecegoods with Indian piecegoods, he says:—

"Area for area a fine cloth may be less expensive than a coarse cloth and a purchaser who requires a piece of cloth for a particular purpose generally requires a definite area and not a

> definite weight. Thus he may buy the finer cloth merely because it is cheaper whereas he would prefer the coarse cloth, if he could get it at the same price, because it is more durable and better suited to his purpose."

Due to the poverty of the people, they are compelled to purchase even inferior articles, in full knowledge of their poor quality, if their initial price is low.

17. A cotton mill in Bengal has forwarded to my Chamber samples of three dhoties—one prepared from 9s x 12s, another prepared from 18s x 24s and the third prepared from 30s x 40s. It has been pointed out that while the cloth produced from the coarser counts is much more lasting, it is slightly dearer than the cloth produced from the finer counts. But the latter cloth although less lasting has been found to be more attractive by the consumer who has bought them in large quantities. As observed before, the deciding factor to the consumer of this country in the purchase of his cloth has been not its durability but its initial cheapness. Even though the finer cloth does not last him half the period as the coarser one and he is obliged to purchase it twice, he is compelled to do so. This phenomenon is not unusual in this country where on account of their poverty the people pay interest as high as 100 per cent.

18. My Committee are aware that it may be enquired as to why if the purchasing power of the people has gone down there has not been a noticeable decrease in the consumption of cloth during recent years. The total average consumption of cloth in India during the quinquennium 1925-26 to 1929-30 works out roughly to 5,000 million yards. The consumption in 1928-29 was 4.772 million yards and in 1929-30, 5.586 million yards and in 1930-31, 4,725 million yards. These figures are inclusive of the production of cloth on the handlooms. My Committee would point out that the absence of any noticeable decrease in the consumption of piecegoods in India is due to the fact that the masses in India have always had to confine themselves to bare requirements. The cultivator has had to adjust his budget by not paying the interest charges on the borrowings or the ordinary rent and by effecting considerable economy in his other purchases which are not absolute necessaries of life and by even falling back on his own and ancestral savings as can be seen by the sales of large quantities of distress gold during the last few months, amounting roughly to Rs. 60 crores. My Committee would feel sure, however, that if the present depression were to continue, the agriculturist having no other resources to draw upon, would naturally effect a cut in his expenditure on piecegoods and that there would be a decrease in the amount that he can spend on the purchase of piecegoods.

19. It may happen, therefore, that the criterion of purchase so far as the masses are concerned will, for a long time, continue to be cheapness and not durability and as the cloth produced from finer counts is cheaper initially, compared area for area, with coarser cloth, the people would be attracted by this kind of cloth. Unless, therefore, full protection is granted to the country against imports of finer quality of manufactured cloth, the country will be faced with a severe competition of goods of such quality from foreign countries in the future. In regard to the competition of particular qualities of cloth, my Committee would invite your attention to the following remarks by Mr. G. S. Hardy (*vide* para. 22 of his Report):—

> "We have also to consider the indirect competition of goods of different quality, a matter of special importance if a scheme of protection should be contemplated since there is always the possibility that a rise in the price of an imported product may not drive the purchaser to a local product of the same kind

> but rather to an imported product of a slightly different kind. A good example of this type of indirect competition is the supplanting of woven striped shirtings by fine printed drills."

This will show that it is hardly correct to say that certain kinds of goods will not come into competition as has been contended by the Hon'ble Commerce Member when he observed that only about ⅛th of the imports from the United Kingdom, and 9/10ths of the imports from Japan, compete with Indian goods. Competition is ultimately a question of price.

20. My Committee need hardly point out that the production of finer goods in the country by importation of long staple cotton from foreign countries, till such cotton is grown inside the country will have no adverse effect on the grower of Indian cotton. As has been stated above, the mills have been consuming an increasing quantity of Indian cotton during the last few years. There can hardly be any direct competition between the imported cotton which is of long staple, with the Indian cotton which is of short staple. Except in a very limited sense, there is no competition between them. It is further unnecessary to state that the increase in import of raw cotton from Africa, Uganda, America, etc., is not in substitution of Indian cotton, as the quality of yarn turned out therefrom is fine as compared with the yarn manufactured out of Indian cotton, which is coarse. The increase of consumption of foreign cotton is explained by the fact that it is necessary for India to manufacture finer varieties of cloth of superior quality, similar to those imported at present from foreign countries. Indeed, my Committee might state that foreign cotton has taken the place of foreign cloth and thus we have been able to work up the raw material here instead of getting the ready made articles on which the manufacturing processes have been carried out in foreign countries.

21. Our goal being the production of cloth required for India from within the country, there is no doubt that we will have to import foreign long staple cotton as long as it is not produced in India in order to produce finer yarn and finer goods and this should not be discouraged as such a policy would be suicidal to our interests, and would only delay the day when India could be made self-sufficient in the production of cloth for her requirements. I am to point out here that if a demand for long staple cotton is created by the production of finer goods by the mills, it will stimulate the growth of long staple cotton in India and it will hasten the day when we may not have to import even our raw cotton from foreign countries. On the contrary, it would be to India's advantage to equip herself with appropriate machinery for the manufacture of finer and fancy cloth in order to substitute the imports of such cloth, as early as possible.

22. As far as the consumer is concerned, as has been shown above, the protection has enabled him to get his requirements at a comparatively low rate of price on account of internal competition which has been brought into play. There need therefore be no apprehension about the consumer being burdened on account of the policy of protection.

23. My Committee would strongly urge that adequate protection should be given to the Cotton Textile Industry in order that the industry may develop itself without loss of time. In this connection, they would point out that if instead of the halting measure of protection, the Government of India would be pleased to give adequate protection to the industry, they would be able to develop their production rapidly, increase their efficiency, produce more internal competition and cheapen prices and consequently such protection might prove a smaller burden than a low rate continued over a long period. Adequate protection would imply a judicious investment by the consumer and inadequate protection would mean its opposite.

24. In regard to the principle of Imperial Preference embodied in the Cotton Textile Protection Act, and presumably sought to be confirmed by the Government, by the recommendations of the Tariff Board, although an assurance was given that it was only a temporary measure, and India was not being committed to such a principle, my Committee would point out that the country is unequivocally opposed to it, on economic as well as political grounds. In this connection, I am also directed to invite your attention to the detailed observations made by my Committee in the course of a letter addressed to the Government of India, Department of Commerce, on the 22nd April, 1932, regarding Imperial Preference Proposals to be discussed at the Ottawa Conference in July, 1932 (a copy is enclosed herewith). My Committee are emphatically of opinion that because India needs full protection against the imports of finer varieties of cloth irrespective of the country of origin, she cannot give any effective Imperial Preference without jeopardising her own interests considerably. The position, frankly stated, is that if the preference to the United Kingdom is to be effective, we have to injure the home industry. There is no escape from this position. Let us analyse it. Even if we impose a duty of 200 per cent. on imports of piecegoods and make it, say, 150 per cent. in the case of Lancashire, even this big preference will be of no use to Great Britain as such a duty will practically make impossible the importation of any cloth whatever. In order to make Imperial Preference effective, the Tariff on foreign piecegoods should be at a level which would make protection to the indigenous industry ineffective. In this event, if any preference is granted to the United Kingdom, by diminishing the extent of protection to the Indian industry, such preference cannot be given at the expense of Japan or other countries which supply cloth to India, but at her own expense. My Committee feel sure that in appreciation of the various advantages accruing from the development of the textile industry in this country and the ultimate benefit resulting therefrom to the consumers, the Tariff Board will not see their way to give their approval to any proposal of Imperial Preference even though it has been openly suggested by the Government, as it will inflict a grave injury on the industry by retarding its progress in the manufacture of finer cloth for which India is at present dependent on various sources. My Committee also beg to point out clearly that proposals for effective protection on one hand to the cotton textile industry at the present stage when there is a necessity for it to embark upon the production of fancy and finer cloth, and effective preference to United Kingdom on the other hand, are self-contradictory in terms. Both these objects cannot be achieved. If effective protection against United Kingdom is given, Imperial Preference would be meaningless. If Imperial Preference is given, effective protection would be impossible and the progress of the industry would be retarded, to the grave detriment of the country.

25. My Committee would also like to observe here that if the Indian Cotton Textile Industry has been able to show satisfactory progress during the last three years, it is not due in a large measure to the meagre tariff duties that have been imposed on the import of cloth but it has been due to the public sentiment and feeling for patronage to Swadeshi cloth. The present increased production of mills and handlooms is due more to the prevalence of these sentiments than to the advantages in regard to prices as compared with imported cloth. If the Swadeshi feeling and boycott movement disappear, my Committee have grave apprehensions that several lines of Indian-made piecegoods may again be substituted by imported ones. Under effective protection, however, this should be impossible and what is more, production should continue to increase till practically all the requirements of this country except in regard to special varieties of cloth are met from internal sources.

26. My Committee have investigated by reference to the mills the extent to which the import duty on raw cotton, the increased

import duty on stores, the import duty on machinery, and the increased railway freight rates on coal, have offset the protection given to the cotton industry by imposition of import duties, and they find that the handicap thus placed on the mills amounts to about 7 per cent. as opposed to the 10 and $11\frac{1}{4}$ per cent. additional duty on British and non-British cotton piecegoods. In addition to this 7 per cent., the mills have been further handicapped owing to the increase in the income-tax, super-tax, rates of postage, telegrams, etc. The non-allowance of double depreciation to the mills working more than one shift has also handicapped the industry inasmuch as the mills are unable to renew the machinery and as a consequence their efficiency is being impaired.

27. My Committee would also invite the attention of the Tariff Board to the following handicaps to which the cotton mills in Bengal in particular are subjected:—

(1) High Railway freight on cotton from the Punjab to Calcutta. In this connection, I beg to enclose herewith a copy of a note* submitted by my Chamber to the Hon'ble Member, Government of India, Commerce and Railway Departments, on the 18th November, 1930, on the subject of reduction of railway freight rates on raw cotton from Punjab Stations to Howrah.

(2) Extra expenditure to the extent of Rs. 15 per candy which mills in Bengal have to incur on the importation of African Cotton in Calcutta as compared with Bombay due to the absence of direct steamers from Mombasa to Calcutta.

(3) Absence of fumigating facilities for American Cotton at the Port of Calcutta which necessitates importation of American Cotton through Bombay and entails an extra expenditure to the tune of Rs. 15 per candy.

(4) Disparity of the rates of steamer freight on raw cotton and piecegoods as a result of which the mills in Bengal have to pay Rs. 14 per ton on raw cotton imported from Bombay to Calcutta while the similar rate of freight on piecegoods is only Rs. 7-8 per ton. The rate of steamer freight on raw cotton from Bombay to Calcutta is about 50 per cent. higher than the rate of freight for raw cotton from Egypt to Calcutta.

28. My Committee would also take this opportunity to invite the attention of the Tariff Board to the fact that the Indian Hosiery Industry is in need of adequate protection from the cheap imports of hosiery from foreign countries. In this connection, I am to enclose herewith for the information of the Tariff Board, a copy of a representation addressed by my Chamber to the Government of India on the 18th December, 1930, urging upon them the necessity of granting adequate tariff protection to the manufacture of hosiery in India. My Committee trust that the Tariff Board will give their careful attention to this matter and make suitable recommendations for protection to this industry in order that the manufacture of hosiery in India may develop rapidly.

29. In the end, my Committee would invite the careful attention of the Tariff Board to the above representation and request them to recommend to the Government the grant of adequate protection on all imports of cloth, irrespective of the country of origin, in order that the industry may be able to attain at an early date its goal of making India self-sufficient in regard to the production of cloth necessary for her consumption, and may also be able to export larger quantities of piecegoods to other countries as suggested by the Trade Mission.

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* Not printed

Enclosure No. 1.

Ref. F. 92/32.

135, CANNING STREET,
CALCUTTA,

The 22nd April, 1932.

The Secretary to the Government of India,
Department of Commerce,
Simla.

Re Imperial Economic Conference, Ottawa, July, 1932.

Dear Sir,

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to refer to your letter No. 752-T. (4), dated the 6th April, 1932, inviting their views in regard to the advisability of India entering into a Tariff agreement embodying a reciprocal preferential regime, so designed as to benefit the trade of India and the United Kingdom. My Committee have considered very carefully the contents of your letter under reference and at the outset, they desire me to express their regret that the personnel of the Indian Delegation to the Ottawa Conference, though consisting mainly of non-officials was not settled in consultation with the Federation of Indian Chambers of Commerce and Industry as representing the commercial and industrial interests of the country. The true opinion of the country on such a question cannot be expressed by a delegation nominated in the way in which it is done by the Government.

2. I am further directed to point out that the Indian Chamber of Commerce has always been opposed to the grant of Imperial Preference in the past, and my Committee desire to reiterate their opinion here, that after a due consideration of all the relevant facts in this connection, they see no justification at present for India entering into any Tariff agreement with Great Britain embodying a reciprocal preferential regime. My Committee would like to point out in this connection that in the past India has always been opposed to Imperial Preference. In the year 1903, the Government of India were consulted on the question of Imperial Preference from the standpoint of the interest of India. After reviewing the position of India, the nature of her trade and tariff and her commercial relations with the Empire and other countries, the general conclusion of the Government of India was that from an economic standpoint India had something, but perhaps not very much, to offer to the Empire, that she had very little to got in return and she had a great deal to lose or to risk. Up to the time of the last Great War, India and the majority of the Crown Colonies had not adopted the principle of Imperial Preference and the British Government had definitely stated that it did not see its way to grant preference to the United Kingdom. The Fiscal Commission considered the question of the adoption of a policy of Imperial Preference by India and arrived at the conclusion, after a very careful consideration of all the factors concerned, that India could not grant extensive preference without serious loss to herself and that it would not be reasonable for India to incur such a burden (*vide* Report of the Indian Fiscal Commission, para. 239).

3. My Committee would invite the attention of the Government of India in this connection to the volume and nature of the trade of India with the United Kingdom and the British Empire during recent years. The Government of India are no doubt aware that out of the total export trade of India as much as 71 per cent. consists of articles which come under the classification of " food, drink and tobacco " and " raw materials and produce and articles mainly unmanufactured ". In regard to imports

received in India about 71 per cent. of the total represents "articles wholly or mainly manufactured". The pre-war average percentage of such articles was 76 per cent. as compared with 71 per cent. during the year 1929-30 and 66 per cent. during the year 1930-31. Broadly speaking, therefore, it can be said that India imports manufactures and exports raw materials and food-stuffs. On an analysis of India's trade with the United Kingdom, my Committee find that the volume of India's imports from the United Kingdom, is continually decreasing, whereas India imported 62 per cent. (on an average) of her total imports from the United Kingdom during the pre-war period, its import from the United Kingdom during the year 1929-30 fell to 42 per cent. and during the year 1930-31 to 37 per cent. In regard to her exports, while India exported 25 per cent. (on an average) of her total export trade with the United Kingdom during the pre-war period, she exported only 21 per cent. in the year 1929-30 and 24 per cent. in the year 1930-31. The total of both the import and export trade of India with the United Kingdom has also been consistently falling from 40 per cent., which is the pre-war average, to 30 per cent. in the year 1929-30 and to 29 per cent. in the year 1930-31.

4. Analysing the figures of India's trade with the British Empire, my Committee find that as compared with the pre-war average the total import trade of India with the British Empire has declined from 69 per cent. to 51 per cent. in the year 1929-30 and 46 per cent. in the year 1930-31, the export trade has decreased from 41 per cent. which is the pre-war average, to 36 per cent. in the year 1929-30 and 39 per cent. in the year 1930-31. The total of import and export trade with the British Empire fell from 52 per cent. which is the pre-war average, to 42 per cent. in 1929-30 as well as in 1930-31.

5. India's trade with other foreign countries has, on the other hand, been slowly growing. Her import trade with other foreign countries increased from 30 per cent. which is the pre-war average, to 48 per cent. in 1929-30 and 53 per cent. in 1930-31, and her export trade increased from 58 per cent. which is the pre-war average, to 64 per cent. in 1929-30 and 60 per cent. in 1930-31. The total of import and export trade of India with other foreign countries witnessed an increase from 47 per cent. which is the pre-war average, to 57·5 per cent. in 1929-30 and 57·6 per cent. in 1930-31.

6. A glance at the figures of value of India's foreign trade will reveal that India's exports usually exceed her imports in the case of all countries excepting the United Kingdom where the reverse has always been the case. It was only during the year 1930-31 that India had an excess of exports over imports from the United Kingdom to the extent of Rs. 7 crores.

7. Analysing the commodities which constitute the import trade of India, we find that the United Kingdom supplied during the years 1929-30 and 1930-31, 63 per cent. and 58 per cent. of her total imports of cotton manufactures, 20 per cent. and 23 per cent. of her total imports of motor-cars and motor-cycles, etc,. 56 per cent. and 53 per cent. of her total imports of instruments, 59 per cent. and 52 per cent. of her total imports of iron and steel, 75 per cent. and 74 per cent. of her total imports of machinery, 35 per cent. and 36 per cent. of her total imports of hardware, 58 per cent. and 59 per cent. of her total imports of liquors and 32 per cent. and 31 per cent. of her total imports of paper. Analysing the export trade, we find that India exported to the United Kingdom during the years 1929-30 and 1930-31, 85 per cent. and 84 per cent. of her total exports of tea, 20 per cent. and 17 per cent. of her total exports of jute (raw), 6 per cent. and 5 per cent. of her total exports of jute manufactures, 6·6 per cent. and 6·5 per cent. of her total exports of cotton (raw), 16 per cent. and 15 per cent. of her total exports of oil seeds, 2 per cent. and 9 per cent. of her total exports of food grains, and 46 per cent. and 52 per cent. of her total exports of hides and skins (raw and tanned). While

the share of the United Kingdom in the import trade of India fell from 42 per cent. in 1929-30 to 37 per cent. in 1930-31, the value of the imports of the United Kingdom decreased from Rs. 103 crores to Rs. 61 crores. Although the percentage of the export trade from India to the United Kingdom increased from 21 per cent. in the year 1929-30 to 24 per cent. in 1930-31, the value of the export trade to the United Kingdom fell from Rs. 69 crores to Rs. 54 crores. The principal articles exported to the United Kingdom during the year 1930-31 were tea (value Rs. 20 crores), hides and skins (value Rs. 6 crores), raw and manufactured jute (valuo Rs. 4 crores), raw cotton, seeds and food grains (value Rs. 3 crores each) and raw wool (value Rs. 2 crores). These articles taken together represented about 79 per cent. of the total exports to the United Kingdom as compared with 77 per cont. in 1929-30. A study of the statistics of foreign trade of India will indicate that a very large bulk of the commodities imported from the United Kingdom, comes under the heading of manufactured articles, that the importance of the United Kingdom in the supply of these commodities is declining, that the share of countries like Japan, United States, etc., is increasing, and that a large bulk of the commodities exportod to the United Kingdom comes under the heading of raw material and food-stuffs.

8. After analysing the foreign trade of India with the United Kingdom and the British Empire, my Committee feel that India has not much benefit to derive from a preference which tends to be more important in the case of manufactured goods than in the case of raw materials. As the Fiscal Commission rightly pointed out, manufactures nearly always meet with keen competition in the foreign markets and thereforo a preference on manufactures is nearly always of value. The position in regard to raw materials and food-stuffs which constitute 70 per cent. of India's exports, is, however, different. In the first place, they are usually admitted free in the foreign markets, so that the possibility of a preference hardly arises. My Committee would invite the attention of the Government of India to the list enclosed with their letter under reference, giving a list of the goods exempted from the general *ad valorem* duty of 10 per cent. imposed by the United Kingdom, in the year 1932. This list of goods exempted from the general *ad valorem* duty contains such articles as tea, cotton (raw), wool and animal hair (raw), hides and skins and rubber (raw). India exports large quantities of these articles to the United Kingdom and on these she has hardly any preference to get as they are exempted from these duties. Even though a small duty may be put on these raw materials which are now exempted, India cannot gain much by preferential duties as she supplies necessaries which must be purchased from her and indeed on exports of some articles like, for instance, jute which is India's monopoly, no preference can be given to her. Again, at best the preference that can be extended to India would be very small because England cannot afford to levy high duties on such commodities. Besides, usually the markets for raw materials being to a large extent ready-made and not in need of nursing, they stand very much less in need of preference than manufactures and the gain to them by preference is likely to be correspondingly smaller. A policy of preference in relation to her imports would cause a distinct economic loss to the people of India who, it must be remembered, are very poor and are already bearing a considerable burden incidental to the protection granted to the various industries, in the pursuit of a policy of more rapid industrial development. My Committee are emphatically of opinion, however, that it would not be proper to inflict an unwarranted an unavoidable extra burden on the Indian consumers for the benefit of British manufacturers. What is more, my Committee are also apprehensive that a policy of preferenco would diminish the benefits of full protection which might be given to any Indian industry for its development.

9. My Committee further feel that from the standpoint of India the case for Imperial Preference in relation to manufactures from Great

Britain is made more untenable at the present moment, due to the fact that the price level in Great Britain has increased as a result of the policy of protection recently adopted by Great Britain. The consequence of giving preference to and creating a market in India for protected British goods will be that India will be made to bear a part of the burden of protecting industries in Great Britain which will doubtless be a heavy one.

10. But the most important consideration which determines the attitude of the Committee of this Chamber against the proposal of India entering into any agreement with Great Britain and other Dominions at the present moment is that India is not free, that is, does not enjoy Dominion Status in the Empire, that its political status is not the same as all the other partners of the Empire, that the Dominions do not treat the Indian citizens on a footing of equality and that anti-Asiatic Legislation in so far as it applies to the people of India is yet unrepealed in many Dominions and that India does not enjoy unfettered control over its fiscal policy and as such is unable to initiate, grant, vary and withdraw preference as and when necessary in the interest of India, at her discretion. In this connection, my Committee would also commend to the careful attention of the Government the following notable observation in regard to Imperial Preference made in the Minute of Dissent to the Report of the Indian Fiscal Commission:—

> "That the condition precedent to any agreement with a British Dominion in trade matters on the basis of reciprocity should be the recognition of the right of the Indian people to a status of complete equality and the repeal of all anti-Asiatic laws so far as they apply to the people of India."

11. My Committee are aware of the observations made by the Government of India that if the conclusion of trade agreement between Great Britain and India is recommended, involving any changes in the Indian Customs Tariff, such changes will be placed before the Indian Legislature for its approval, and that the Government have no desire to put any such changes into effect unless the legislature is satisfied that they are in the interest of India. My Committee, however, feel that at a time when the constitution of the Government of India is undergoing revision, no commitments should be made towards the acceptance of the principle of Inter-Imperial Preference by the Government of India under the direction of or in consultation with the Secretary of State, and that the hands of the future Government should be left unfettered for following a policy calculated to promote the interest of India. My Committee would also take this opportunity of mentioning that any commitments by the present Government to the principle of Imperial Preference would make her liable to measures of preference at a time when she is not able to determine them by the vote of a wholly elected legislature with her Government responsible to such legislature, as is the case in all the Dominions, and would restrict in future the freedom of the popular Government. In the Legislative Assembly, as it is constituted at present, consisting of a large number of official and nominated members, who are not able or free to express the true opinion of the country, the Government will be able to get accepted the principle of Imperial Preference and regulate it with perfect freedom. The assurance therefore that no changes in the fiscal policy of India will be made unless the legislature is satisfied that they are in the interest of India, is hardly a sufficient guarantee for the protection of Indian interests. Any agreements made by Government and ratified by the present Assembly cannot therefore be viewed without suspicion and misgiving by the public, and cannot be acceptable to them. Until therefore the time comes when India attains responsible Government, and is able to regulate her fiscal policy by the vote of a wholly elected Legislature, and by her own free will undeterred by regard for its effects on Great Britain whose interests have received preponderating consideration and preference in the past, even to the

detriment of the best interests of this country, my Committee are emphatically of the opinion that India should not be committed to the acceptance of the principle of Imperial Preference at the forthcoming Ottawa Conference.

12. My Committee also desire me to observe that it is due to the artificial conditions imposed by British interests with regard to specifications that the differential rates of duty at present in force upon goods of British and non-British manufactures in regard to articles manufactured from steel, appear to be in the interests of the consumer, in India. As a matter of fact, India has been forced to use British steel because of the specifications and conditions laid down by the Government, Railways, Port Trusts and other quasi-government bodies in regard to the supply of such materials. I am also directed to point out that in the year 1930, there was a very strong opposition from the public when the Government introduced the principle of Imperial Preference in relation to the measures of protection to the Indian Cotton Textile Industry. The entire commercial community was opposed to the measure of Imperial Preference embodied in the Bill but the legislature had no other alternative but to accept the measure, on pain of withdrawal of the Bill introduced for giving protection to the industry. The Government of India must also have observed that in spite of this measure of Imperial Preference, there has been a rapid decline in the import of piecegoods from the United Kingdom during the last year. Whatever attitude the Delegation appointed by the Government of India to the Ottawa Conference may take, my Committee desire to point out in unequivocal terms that no commitments would be binding on the Government, which are not ratified by a future responsible Government in the country.

13. It is a matter of grave concern to the commercial community that the Government of India in their Communique dated the 9th April, 1932, appointing the Tariff Board for an enquiry into the question of protection to the Cotton Textile Industry, have directed the Board to examine whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured in other countries. My Committee cannot conceal their feeling that the inclusion of this matter in the terms of reference to the Tariff Board immediately after the Sessions of the Assembly, without giving the Assembly an opportunity to discuss this matter, is not only unfair to the Assembly but also gives rise to a strong suspicion that the Government of India have made up their minds in favour of a preferential regime as far as the United Kingdom is concerned. It is clear from the terms of the Communique, that the Government of India are already biassed in favour of Imperial Preference and my Committee in common with the commercial community and the public view this suggestion of the Government with very great misgiving.

14. In the end, I am to add that while my Chamber would welcome a trade agreement based on reciprocity in the interest of both the countries, the present atmosphere is not such as would make any such agreements acceptable to the public and they would therefore urge upon the attention of the Government that they wonld be taking a very unwise step in seeking to enter into agreements on behalf of India with Great Britain and other parts of the Empire at the present juncture.

15. My Committee trust that the Government of India will be pleased to consider this matter very carefully and to bring these views of the Indian commercial community to the attention of India's Delegation to the Ottawa Conference.

Yours faithfully,
M. P. Gandhi,
Secretary.

Enclosure No. 2.

Ref. No. C. 5.

Calcutta, dated the 18th December, 1930.

The Secretary to the Government of India,
Department of Commerce,
Delhi.

Dear Sir,

I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to place the following facts before you in regard to the Hosiery Industry and to request you to be good enough to grant further protection to the Indian Hosiery Industry.

1. You are doubtless aware that India imports annually large quantities of cotton hosiery from foreign countries. Out of the total imports of hosiery, a very great bulk, nearly 84 per cent. is imported from Japan, the share of the United Kingdom being practically negligible. The value of the imports of hosiery from Japan during the last year amounted to 123 lakhs of rupees, out of a total of 143 lakhs of rupees in the year 1929-30. The figures of the value of imports of hosiery from different countries during the last three years are shown in the following table for ready reference:—

	1927-28.	1928-29.	1929-30.
	Rs.	Rs.	Rs.
From United Kingdom . .	1,77,768	1,16,422	1,18,555
From Japan	1,13,53,866	1,25,19,313	1,23,34,967
From United States of America	3,38,387	2,98,116	3,88,795
From other countries . .	18,93,458	15,69,761	15,27,745
Total .	1,37,63,479	1,45,03,612	1,43,70,062

The figures of imports in value and quantities according to classes are as follows:—

Imports of Hosiery in value.

	1927-28.	1928-29.	1929-30.
	Rs.	Rs.	Rs.
Stockings and socks . . .	24,18,964	20,28,223	20,26,411
Underwears	1,08,02,009	1,19,60,270	1,18,83,405
Other sorts	5,42,506	5,15,119	4,60,246
Total .	1,37,63,479	1,45,03,612	1,43,70,062

Imports of Hosiery in quantity.

Stockings and socks, doz. prs. .	1,055,253	1,103,567	1,100,444
Underwears, doz. . . .	2,402,617	2,941,350	2,904,960
Other sorts	...	...	...

2. You are doubtless aware that there are a large number of Hosiery Factories in India spread all over the country in small towns and villages in addition to the big Hosiery Factories furnishing returns under the

Cotton Industry (Statistics) Act XX of 1926, which numbered 38 during the last year. The quantity of the production of hosiery in Indian Factories for the last three years is given in the following table:—

	1927-28.	1928-29.	1929-30.
Hosiery—			
Pounds	1,213,870	1,609,033	1,908,942
Dozens	455,592	493,488	572,404

This table does not include the figures of the various small hosiery factories which are working like cottage industries as they are not required to furnish returns under the Cotton Industry (Statistics) Act. There is no doubt that such production must be large and it will be possible to meet the demands of hosiery internally, as the industry is developed.

3. The Hosiery Industry is particularly suited for adoption by the middle Classes in India, both as middle-sized and cottage factories. It possesses all the characteristics which are required for the grant of protection. But its growth is retarded by outside competition and it is strongly felt that Japan is dumping hosiery goods in this country with a view to killing the industry and enjoying a monopoly of the Indian market. Further, my Committee do not understand why hosiery and sewn cloth should pay a duty of 15 per cent. when cloth pays a duty of 20 per cent.

4. It has been brought to the knowledge of my Committee that the cost of production of hosiery in India is about 20 per cent. higher than the wholesale rate at which Japanese manufactures are sold in this country even after payment of the existing 15 per cent. duty. I am forwarding under separate cover by way of illustration, two Japanese undershirts and two of Indian manufacture of nearly corresponding quality. The cost of production of Indian hosiery and the wholesale price of Japanese in Calcutta are as follows:—

INDIA.			JAPANESE.	
No.	Inches.	Cost price per dozen.	Inches.	Selling price per dozen.
525	30	Rs. 4-12	30	Rs. 4.
			Less 15 per cent. duty—Rs. 3-8. duty should be 36 per cent. But quality is superior, ∵ duty should be 40 per cent. to bring selling price up to cost of manufacture in India.	
755	30	Rs. 5-6	2 Club Marks 30″	Rs. 4-10.
			Less 15 per cent. duty—Rs. 4. duty should be 35 per cent. But quality is superior, ∵ duty should be 40 per cent. to bring selling price up to cost of manufacture in India.	

5. The sale of Japanese Hosiery at these prices is having a very undesirable effect on the Indian Hosiery Factories several of which have recently closed down. This has resulted in great unemployment and loss of capital. During the current year the cheap Japanese Hosiery has practically flooded the Indian market and its low selling price has made it impossible for the various hosiery factories to work at a profit.

6. It will not be out of place here to re-call the difficulties Government are having in maintaining Exchange. Government will no doubt agree with my Committee that for that purpose no avenue of reducing imports should be lost sight of. Along therewith, the income of the nationals of the country which has reached a very low level should be increased. Bearing all these in mind the hosiery industry constitutes an apt instance

in which adequate and early steps are necessary. In order to save the Hosiery Industry of India from extinction, my Committee suggest that the Government should imposo a duty of 50 per cent. on imports of hosiery, as then alone will the Indian Hosiery Factories be able to work at some profit. If the Government, however, feel that 50 per cent. would be too high a duty, my Committee suggest that a duty of at least 40 per cent. be imposed on imports of hosiery from other countries.

7. My Committee are fully aware of the fact that the Government of India realise annually about 25 lakhs of rupees from the Customs Duty on Hosiery. An imposition of 40 per cent. Tariff Duty on the imports of hosiery will not in any way reduce the revenue of the Government from its present figure and will at the same time give relief to the hosiery industry of India and promote its development. The reason of the Government's revenue from this source not being adversely affected is that the trade in hosiery will not be curtailed to a very great extent immediately because the production of hosiery in the country is limited at present and it will certainly take some time for the Indian Hosiery Factories to increase their production in order to cope with the Indian demand for hosiery.

8. For the next two or three years at any rate the Government will be assured of revenue from this source at more than its present figure, if the import duty be increased as suggested. My Committee also beg to repeat that if a 40 per cent. duty as suggested by them is not imposed, there is a great danger of the Indian Hosiery Factories closing down as they cannot afford to manufacture and sell their goods at the price at which the Japanese hosiery which is being dumped with the deliberate intention of ruining Indian hosiery industry, is being sold.

9. In the circumstances, my Committee trust that the Government will seriously considor the desirability of imposing the suggested duty in the next Budget, both out of consideration of revenue for the State and protection to the hosiery industry.

10. It has also come to the knowledge of my Committee that each piece of hosiery when imported from Japan does not bear the words "Made in Japan" or other words indicating that goods are made outside India. Such piece of hosiery is sold in India after being stamped as "Pabna Quality" or "Pabna Finish" as the hosiery made in Pabna has acquired a good name in the market. Even the Elephant Mark found on the Japanese Hosiery is associated in the market with hosiery manufactured in Pabna. Fraud is thus practised on the unwary public and foreign goods are being passod off as Indian-made goods. My Committee trust that the Government will take necessary steps to ensure that such fraud is not practised on the public in future.

Yours faithfully,
M. P. Gandhi,
Secretary.

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(2) *Letter No. C. 95/32, dated the 28th May, 1932, from the Indian Chamber of Commerce, Calcutta.*

I beg to inform you that the following cotton mills in Bengal have requested me to convey to you that they support the representation of this chamber submitted to the Tariff Board on tho 16th May, 1932:—

The Bengal Luxmi Cotton Mills, Ltd., Serampore.

The Mohini Mills, Ltd., Kushtia, Bengal.

Kesoram Cotton Mills, Ltd., Calcutta.

Chittaranjan Cotton Mills, Ltd., Dacca.

Dhakeswari Cotton Mills, Ltd., Dacca.

The Bangeswari Cotton Mills, Ltd., Calcutta.

The Mahalaxmi Cotton Mills, Ltd., Calcutta.

(3) *Letter No. C. 95/32, dated the 15th June, 1932, from the Indian Chamber of Commerce, Calcutta.*

In continuation of my letter dated the 16th May, 1932, I am directed by the Committee of the Indian Chamber of Commerce, Calcutta, to invite your attention to a serious handicap to which the Cotton Mills in India are subjected, in comparison with Lancashire, Japan and other countries in regard to the purchase price of raw cotton. The price of raw cotton in India has in recent times been much higher than what it used to be, in comparison with the price of American cotton prevailing in America and Liverpool. The statistics of the price of Broach and Bengal cotton in India and American cotton at Liverpool indicate that the foreign manufacturers who use American cotton are getting advantage by about 2 annas per lb. as compared to the situation that prevailed in 1929 and 1930. My Committee beg to append herewith a statement of the rates of Broach and Bengal cotton in India and American cotton at Liverpool prevailing in the first week of every month from January, 1929 to May, 1932. The average price for each year and the average price from January to May, 1932, as also the price ruling on the 6th June, 1932, have been shown in the statement. It can be seen from the statement that in the years 1929 and 1930 there was a difference between the price of Broach cotton in Bombay and American cotton at Liverpool of about 2 annas per lb. In 1932, however, that difference has disappeared. The Liverpool prices and not the New York prices of American cotton have been taken in order that the position as regards Exchange may remain comparatively the same. In addition to the advantage which Japan has got by having brought large quantities of cotton before depreciating her currency, it will be seen that she and other countries get further advantage of about 2 annas per lb. of cotton over the Indian Mills by using American cotton. My Committee trust that the Tariff Board will take into account the handicap of the Indian Mills in the manufacture of cloth as compared with other countries.

Hedge Contract rates of cotton from January, 1929 to May, 1932.

1st week every month.

Year.	Broach.	Bengal.	Liverpool.	Broach.	Bengal.	Liverpool.
	Rs. per Candy	Rs. per Candy	Pence per lb.	Rs. per Candy	Rs. per Candy	Pence per lb.
	January			February.		
1929 . .	358	277	10·28	352	269	10·22
1930 . .	306	201	9·35	268	185	8·42
1931 . .	174	127	5·34	206	153	5·92
1932 . .	190	169	4·97	214	189	5·20
	March.			April.		
1929 . .	361	261	10·60	354	263	10·50
1930 . .	249	179	7·89	272	205	8·53
1931 .	215	162	6·03	195	152	5·45
1932 . .	231	195	5·49	187	152	4·51
	May.			June.		
1929 . .	327	225	9·88	334	234	10·04
1930 . .	249	181	8·09	242	176	7·70
1931 . .	177	140	2·29	172	142	4·70
1932 . .	177	145	4·41			

Year.	Broach.	Bengal.	Liverpool.	Broach.	Bengal.	Liverpool.
	July.	1st week every month.		August.		
	Rs. per Candy	Rs. per Candy	Pence per lb.	Rs. per Candy	Rs, per Candy	Pence per lb.
1929 . .	320	210	9·79	343	264	10·18
1930 . .	192	134	7·11	194	160	6·85
1931 . .	184	148	54·6	158	126	4·18
	September.			October.		
1929 . .	347	264	10·24	344	250	10·16
1930 . .	206	149	6·23	202	142	5·93
1932 . .	149	115	3·66	160	121	4·10
	November.			December.		
1929 . .	321	216	9·82	319	214	9·46
1930 . .	201	137	6·19	172	121	5·50
1931 . .	191	148	4·84	192	160	4·81
	1929.			1930.		
Average rates .	340	246	10·10	230	164	731
Annas and pies per lb. .	0-6-11·2	0-5-0·2	0-8-11·7	0-4-8·3	0-3-4·2	0-6-5·9

	1931.			January-May, 1932			On 6th June, 1932		
	Broach.	Bengal.	L'pool.	Broach.	Bengal.	L'pool.	Broach.	Bengal.	L'pool.
Average rates .	181	141	4.95	200	117	4·91	158	135	3·88
Annas and pies per lb.	0-3-8·3	0-2-10·5	0-4-4·8	0-4-1	0-3-5·6	0-4-4·3	0-3-2·7	0-2-9	0-3-5·4

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(4) *Letter dated the 8th August, 1932, from the Indian Chamber of Commerce, Calcutta.*

I beg to forward to you herewith a copy of the replies to the questionnaire relating to the Tariff Board Enquiry regarding Protection to the Indian Cotton Textile Industry.

My Committee have already forwarded to you their views on the question of protection to the Indian Cotton Textile Industry in the course of their Memorandum dated the 16th May, 1932. They trust that as a result of the detailed enquiry, the Tariff Board will see its way to make such recommendations for the protection to the Indian Cotton Textile Industry as would render the country self-sufficient in the matter of supply of cotton piecegoods at the earliest date.

The representatives nominated by the Chamber for tendering oral evidence before the Tariff Board will be glad to discuss in detail the points raised in questions Nos. 39 to 44 of the Board's questionnaire.

Enclosure.

Replies to the questionnaire relating to the Tariff Board Enquiry into the Cotton Textile Industry.

1. (i) The Committee of the Indian Chamber of Commerce, Calcutta, do not accept Mr. Hardy's finding to be correct. The following information supplied by Mills " A " will be relevant:—

" The production of Grey Bleached and Dyed cloth for 6 months, October, 1931 to March, 1932, was 2,507,501 lbs., 323,749 lbs. and 376,673 lbs. respectively in our Mills. Accordingly monthly average comes to 417,917 lbs., 53,958 lbs. and 62,779 lbs. The percentage of the last two items is 12 per cent. and 15 per cent. of Grey cloth produced. As far as our Mill is concerned, the percentage of Bleached cloth is much higher than Mr. Hardy's figures."

(iv) Percentage of piecegoods from yarn below 25s	48
Percentage of Dhuties, Saries and Shirtings from yarn below 25s	48
Percentage from yarn 26s to 30s	36
Percentage from yarn 31s to 40s	10
Percentage from yarn 40s and over	3
Percentage from yarn 40s and over	3

(Percentage taken on total production of Dhuties, Saries and Shirtings.)

(Information supplied by Mill " A ".)

(v) My Committee do not agree with this conclusion for the reasons mentioned in para. 19 of my Chamber's Memorandum, and they believe that Indian Mills can effectively replace a great portion of the dhuties imported from the United Kingdom.

(vii) My Committee believe this to be correct.

(viii) But this would be so only if adequate protection is given to the mills.

(ix) The production of finer classes of goods has increased greatly as shown in para. 9 of my Chamber's Memorandum, dated the 16th May, 1932, submitted to the Tariff Board.

(x) It is true that spinning of finer yarns above 36s is not possible from Indian cotton, but for the last few years Indian mills are importing cotton suitable for these from Uganda, Egypt and America and a substantial quantity of these are manufactured from this cotton.

Japan also has been increasing its share in supply of bleached goods from 2 per cent. in 1929 to 20 per cent. in 1931.

(xiv) There has been a serious decline in the exports of coloured piecegoods in the country during the last three years. Due to increase in the price of dyestuff it would be difficult for handlooms and mills to maintain their position in either the home market or the export market without adequate protection.

(xv) Consistently with the increase in production of finer classes of goods in the Indian Mills, the sphere of direct competition between British and Indian goods is likely to increase.

(xvi) There has been a great reduction in the price of Japanese cloth, and Mr. Hardy's statement is no longer true

(xviii) This is correct. (*Vide* para. 19 of my Chamber's Memorandum.)

(xix) This is correct.

(xx) & (xxi) Artificial silk yarn was being used extensively by Indian mills for making striped cotton goods and Sari borders, but owing to the Congress ban, this has been largely if not entirely, discontinued and now artificial silk goods imported from Europe and Japan are competing with

cotton and silk goods manufactured in India. The cheaper varieties—and a large bulk is of this nature—compete with cotton goods and better varieties with silk goods.

3. My Committee have dealt with this question in para. 7 of their written Memorandum.

5. Yes.

6. If the protective duties were withdrawn the Indian Mill production will decline substantially at all centres and not only at specified centres, as all the mills would not be able to compete with imported cloth. We do not think that the deficiency would be supplied to any extent by Indian production, either by mills suited at ports or those situated in the interior, and will have to be met by imports, which would be regrettable.

7. My Committee beg to give the following information supplied by Mill "A":—

(i) Railway freight per maund of raw cotton from the undermentioned stations and districts to Calcutta:—

	Rs. A. P.	Rs. A. P.
Adoni	1 11 0	
Tirupur	1 8 0	
Tuticorin	0 14 0	
Nanded	2 10 0	

	Rs. A. P.		Rs. A. P.
Punjab	3 0 0	to	3 8 0
United Provinces	2 0 0	to	2 8 0
Central Provinces	1 12 0	to	2 0 0
Berar	2 2 0	to	2 8 0
Broach and Surat (*viâ* Bombay)	1 12 0	to	2 0 0
Hubli	2 0 0		
Ujjain	3 1 8		
Rutlam	2 14 6		
Bombay	14 0 0		per ton of 40 c.ft.

(ii) Railway freight of piecegoods to principal markets of Upper India from Calcutta:—

	Per maund. Rs. A. P.
Delhi	2 9 3
Lucknow	1 13 0
Hazaribagh	0 11 9
Darbhanga	1 3 8
Muzaffarpur	1 3 6
Daltonganj	1 3 6
Cawnpore	2 1 3

(iv) Steamer freight on cotton piecegoods from Bombay to Calcutta is Rs. 7-8 per ton of 40 c.ft. for piecegoods and Rs. 2-4 per bale not exceeding 400 lbs. There is a rebate of 10 per cent. on piecegoods and annas 6 per bale.

9. It is difficult to supply this information in the absence of actual statistics regarding handloom industry. For an authoritative estimate for handloom production, the Committee would invite the Board's attention to the statistics given in "Indian Cotton Textile Industry—its past, present and future (1930)", and "How to Compete with Foreign Cloth—a Study

of the position of Hand Spinning, Hand Weaving, and Cotton mills in the Economics of cloth production in India (1931) " by Mr. M. P. Gandhi. The estimated production of handlooms for the last five years taken from the above source and brought up-to-date, is given below:—

Handloom production

1926-27	1,296
1927-28	1,292
1928-29	1,116
1929-30	1,404
1930-31	1,388

N.B.—The assumption in these figures is that a small proportion of the available yarn is used in making rope, twine, etc. It has been estimated at about 10 per cent. of the total supply of yarn to the handlooms. But no allowance has been made for this in estimating the production of handlooms on the further assumption that there must have always been available to the handlooms hand spun yarn which has been estimated at about 10 per cent. of the total supply up to the year 1929-30; although the quantity of hand spun yarn must have considerably increased due to the revival of the use of spinning wheel by a large section of the populace, particularly since 1929-30, no account is taken of that in these figures.

The information given in regard to the yarn consumed by the handlooms as obtained from these sources is given below:—

Quantity of yarn available for handloom consumption.

	(Million lbs.)
1926-27	324
1927-28	323
1928-29	279
1929-30	351
1930-31	347

My Committee feel that the imposition of adequate protective duties on cotton piecegoods will greatly assist the handloom industry. The imposition of duties on yarn will also not hinder their development because the proportion of foreign yarn used by the handlooms to the total yarn used by them is very small, only about 9 per cent. The knowledge that handloom goods are manufactured from Indian yarn will also help the sale of hand woven cloth. My Committee are of the opinion that the great bulk of handloom cloth is manufactured from coarse yarn supplied by the Indian mill industry. They also feel that the use of hand spun yarn by the looms has increased of late.

10. My Committee are not in a position to give any reliable information in regard to the same. They feel, however, that the present output of hand spun yarn must be more than in previous years.

11. My Committee feel that a decline in the output of Indian mills either generally or in particular lines of goods, will affect the Indian cultivator of cotton adversely inasmuch as the nett demand for Indian cotton will be reduced to that extent. It is doubtful whether any reduction in the demand for Indian cotton that may result from a decreased output of cloth by the Indian mills will be replaced by Japan, as Japan is not a sure buyer of Indian cotton. It all depends upon its parity with American cotton, and besides, it must be noted that Japan is taking to finer cloth which necessitates import of longer-stapled cotton from America. Only last year Japan purchased large quantities of American cotton. The danger of Japan buying American cotton is certainly great when there is a break in the price relation between Indian and American cotton.

12. My Committee have dealt with the question of the import duty on raw cotton in the course of their Memorandum in paras. 15 and 20. The quality of imported long-stapled cotton, except perhaps in the case of American cotton to a small extent, is different from Indian cotton some of which only is suitable for spinning up to 30s. My Committee held the view that the present import duty on raw cotton helps the Indian cultivator in realising better price for his cotton. They would, however, suggest that in consideration of the handicap imposed on the mills due to the increase in their cost of production of finer cloth manufactured out of imported cotton, and adequate import duty should be imposed on yarn and piecegoods.

13. My Committee beg to give the following information supplied by Mill "A":—

(a) The most important classes of Indian mill made cloth—Grey Dhuties, Bleached, and striped shirtings.

(b) *Grey Krishna Dhuti (Cloth No. 1).*

(1) 44″ × 10 yds. 2 lbs. 4 oz. Standard weight per piece.

(2) 40 Reed × 40 Picks.

(3) 20s warp × 32s weft.

Grey Shirting No. 4412 Quality (Cloth No. 2).

(1) 41″ × 38 yds. 8 lbs. 13 oz. Standard weight per piece.

(2) 44 Reed × 44 Picks.

(3) 20s warp × 32s weft.

Bleached Shirting No. 100 (Cloth No. 3.)

(1) 34″ × 20 yds. 5 lbs. 6 oz. Standard weight per piece.

(2) 52 Reed × 44 Picks.

(3) 20s warp × 24s weft.

Striped Shirting No. 9101 (Cloth No. 4).

(1) 33″ × 24 yds. 5 lbs. 10 oz. Standard weight per piece.

(2) 52 Reed × 44 Picks.

(3) 20s warp × 32s weft.

14. My Committee beg to give the following information supplied by Mill "A":—

"The principal classes of imported cloth which enter into competition with Indian cloth are:—

Grey dhuties—Grey shirting, bleached Nainsook, Printed Chintz—Jeans, etc."

15. My Committee beg to append herewith Statements Nos. 1, 2 and 3 furnished by Mill "A".

16. My Committee beg to append herewith Statement No. 7 furnished by Mill "A". The mill desires that its identity should not be disclosed.

18. My Committee beg to give the following information supplied by Mill "A":—

Average price of cotton delivered at Mills per lb.

	20s warp.	32s weft.	40s.
	A. P.	A. P.	A. P.
1926-27 . .	6 10·24	6 10·24	Not used.
1927-28 . .	7 0·29	7 0·29	Not used.
1928-29 . .	8 0·87	8 5·00	11 8·57
1929-30 . .	7 7·78	7 4·55	10 1·96
1930-31 . .	5 4·92	5 5·18	7 8·12
June 1932 . .	4 7·68	4 9·39	6 1·62

20. My Committee beg to give the following information supplied by Mill "A":—

"We do not keep separate figures for each count, therefore general waste percentage is given:—

	Loss percentage of cotton on yarn produced, after taking into account the value of waste.	Loss percentage of yarn in manufacture of cloth on gross yarn consumed.
1926-27	19·55	4·23
1927-28	14·63	4·51
1928-29	19·64	4·16
1929-30	17·29	4·89
1930-31	14·60	4·63"

22. My Committee beg to give the following information supplied by Mill "A":—

"We had prepared a general Statement No. 1 showing total works cost for 5 years but as Double-shift working in spinning Departments and also in weaving Department was started in 1929 and 1930 respectively, the figures vary to a large extent and would not give any idea as required. Therefore we have put Statements 2 and 3 showing detailed cost per spindle and loom per day for 5 years. Average production per spindle and loom is also shown and it would give a general idea of the gradual improvement in the working of the mill. Although it may be seen that cost per spindle and loom have not gone down, production per each unit has increased and cost per lb. has come down in spinning and weaving, thus showing general progress. The increase in the loom cost from 1929 is due to more piece wages owing to increase in production".

23. My Committee have suggested in para. 26, that the handicap placed on the mills due to increased import duty on raw cotton, stores, railway freight, etc., works out to about 7 per cent. as opposed to 10 per cent. and 11¾ per cent. additional duty on British and non-British cotton piece-goods. In addition, the Mills have been handicapped owing to the increase in income-tax, super-tax, rates of postage, telegrams, etc. My Committee would also invite the attention of the Tariff Board to further handicaps to the mills situated in Bengal, outlined in para. 27 of their Memorandum.

My Committee beg to append herewith Statement No. 5 furnished by Mill "A".

24. My Committee beg to append herewith Statements No. 4 and No. 6 furnished by Mill "A".

25. My Committee beg to give the following information supplied by Mill "A":—

"Japanese single 40s football ticket competes very largely with Indian yarn of the same count. The current bazar price after paying import duty is annas 10 per lb. Our cost of manufacture at present cotton prices is 0-12-1·4 pies per lb. as shown in the Statement No. 4 and could not be sold at more than annas 9 and 6 pies per lb."

26. My Committee beg to give the following information supplied by Mill "A":—

"All Indian Mills which can spare spindles are in a position to supply hosiery yarn which is spun out of cotton which has a silky feel and with a softer twist than an ordinary yarn. The Madura Mills, specially, are selling these yarns in the Calcutta market although we could not state definitely the quantity supplied by them or by other Mills."

29. The rate of depreciation allowed by the Income-tax authorities are $2\frac{1}{2}$ per cent. on block cost for buildings, 5 per cent. on block cost of machinery for spinning and weaving and $7\frac{1}{2}$ per cent. on block cost of bleaching and dyeing machinery and electrical equipment. These rates are not reasonable in the case of double-shift working. Double depreciation should be allowed in those cases where the mills are working double-shift.

30. My Committee beg to give the following information supplied by Mill "A":—

"(1) The average value of stocks of materials including raw Cotton and of finished goods, and

(2) The average outstandings in respect of goods sold are as follows for the past five years:—

	Value of stocks			Outstandings.		
	Rs.	A.	P.	Rs.	A.	P.
1926-27 . . .	25,61,170	6	7	27,431	12	6
1927-28 . . .	20,45,594	9	7	1,87,111	14	0
1928-29 . . .	33,89,037	3	5	2,19,755	5	9
1929-39 . . .	31,60,314	13	10	3,89,694	8	1
1930-31 . . .	20,70,061	12	9	3,24,532	2	7

31. Sufficient facilities are not available generally to the Mills for borrowing working capital. The rate of interest usually payable is 1 per cent. over the bank rate with a minimum of about 6 per cent."

32. My Committee beg to give the following information supplied by Mill "A":—

"(1) The amount charged by Managing Agents for Office Allowance and Expenses is as follows for the past five years:—

	Rs.
1926-27	36,000
1927-28	36,000
1928-29	36,000
1929-30	36,000

1930-31.—Actual head office establishment. Salary is charged to the Mills and nothing is drawn for office rent.

(2) The commission charged for the past five years is as follows:—

	Rs.	A.	P.
1926-27	68,403	6	3
1927-28	64,046	0	0
1928-29	61,579	8	3
1929-30	1,17,878	0	0
1930-31	1,82,204	5	9"

33. My Committee beg to give the following information supplied by Mill "A":—

"The Managing Agents, besides charging commission on sales as aforesaid, charge 1 per cent. commission on purchases of cotton from outside Calcutta for making special arrangements for buying same. No other commission is charged."

34. (*a*) & (*b*) My Committee beg to append herewith copies of Balance Sheet for the past six years, supplied by Mill "A", and their Articles of Association also.

35. (*a*) The Managing Agents are doing all they can to increase their efficiency.

(*b*) My Committee give the following information supplied by Mill "A":—

"The introduction of standardisation of wages and muster rolls is difficult owing to the opposition of labour. Piece-work system is prevalent in Preparatory Department and Weaving but not in the Spinning Department. Labour is averse to taking more spindles and looms per man than at present, and we do not think the allotment of a larger number would give better efficiency and finished product and thus lower the cost of manufacture. Improved types of machinery are being purchased as far as finances permit."

38. Yes, there are several developments recently, *viz.*, depreciation of the Rupee-Yen-Exchange and the consequent lowering of the price of Japanese piecegoods at a level which makes it impossible for Indian Mills to compete successfully. The question has already been taken up by the Tariff Board and my Committee trust that the Tariff Board will recommend immediate action to meet the situation.

39-44. My Committee would invite your attention to their views contained in the Memorandum submitted by them on the 16th May. These questions will be further discussed by the representatives of the Chamber in the course of their oral evidence.

45. (*a*) Double depreciation on machinery should be allowed to the mills working double shift.

(*b*) Rates of freight on coal as well as on cotton should be reduced, particularly those on cotton from the Punjab to Calcutta, which affect the mills in Bengal adversely. Rates of freight on the E. B. Railway for charging half-pressed bales should be assimilated to the rate of freight levied on the G. I. P. Railway.

Replies to questionnaire relating to the Hosiery Industry.

My Committee beg to append herewith replies furnished by Mill "A" to several questions in the questionnaire relating to the Hosiery Industry.

REPLIES FURNISHED BY MILL "A".

1. We are not aware of the total number of Hosiery factories in India, but the number of factories in Calcutta and suburbs is about 30 and there are 8 or 9 factories in Pabna. The number of labourers employed in the above factories is about 1,000.

2. All these factories are power-driven.

3. Our Hosiery Factory is situated within the Mill compound and is a part of the same. It is power-driven from currents supplied by our Power House. The machinery list is as follows:—

(*a*) 12 Knitting machines, latch needles
4 Cuff Machines
4 Winding Machines
1 Calendar
} By G. Blackburn, England.

2 Cuff machines—By G. Stibbe, England.
1 Winding machine—German make.
1 Socks machine—By Scott & Williams, U. S. A.
1 Linking machine—By J. W. Hepworth, U. S. A.

12 Chain machines
10 Overlock machines
2 Necking machines
2 Button and putty machines
2 Four needle machines (front putty)
2 Button-hole machines
} By Singer.

(b) The yarn required is spun according to Hosiery specifications in our Spinning departments with a soft twist and wound into cones in winding machines and then knitted into web. The web cloth is bleached or dyed in our Bleaching Works and is cut and vests made in different sizes according to orders.

4. We chiefly make grey, bleached or dyed vests and a small number of socks; the approximate quantity of vests is 70,000 dozs. annually.

5. (Statement attached.)

6. The maximum capacity of our factory is 85,000 dozs. vest requiring about 3,40,000 lbs. yarn annually.

10. (i) We use our own yarn. (ii) Does not arise in our case.

11. The first part does not arise in our case. We use 16s, 24s, 2/24s, 2/60s yarn with a soft twist.

12. Hosiery machinery or parts thereof are not manufactured in India.

HOSIERY.

Estimate of Monthly Outturn and Expenses.

12 Knitting Machines working 19½ hours daily.

Outturn—

28″	1,120 dozens.
30″	1,950 ,,
32″	1,750 ,,
34″	780 ,,
	5,600 ,,

Average size 30·6″.

Quantity of yarn required including 18 per cent. waste:—

		16s.		24s.	16s.	24s.
	dozs.	lbs.	oz.	oz.	lbs.	lbs.
28″	1,120	3	4½	4	3,675	208
30″	1,950	3	10	4	7,065	490
32″	1,750	4	1	4	7,110	440
34″	780	4	8	4	3,510	190
	5,600 dozs.	16s	3 lbs.	14 oz.	21,360 lbs.	1,400 lbs.
		Avr. 24s.		4 oz.		

1. *Value of Yarn—*

Taking Cotton at Rs. 24 per maund of 82·2/7 lbs., 16 per cent. waste absolute.

15 pies cost per spindle for 19½ hours.

Production per spindle—

	Oz.
16s	16
24s	9

		Rs.
16s	21,360 lbs. at As. 6-8·5 per lb. . .	8,955
24s	1,400 lbs. at As. 7-8 per lb. . .	670
	22,760 lbs.	9,625

		Rs.
2. *Bleaching or Dyeing Charges in Web Cloth—*		
22,190 lbs. at 1 anna per lb.		1,387
3. *Standing Charges—*		
	Rs.	
Power	200	
Store Accessories	400	
Salary and P. Fund	230	
Wages daily hands	670	
Interest	400	
		1,900
4. *Piece-work Wages—*		
Winding and Knitting 22,760 lbs at 5·4 pies per lb.	640	
Clothing, Stitching, etc., at As. 8-9·5 pies per doz.	3,080	
		3,720
5. *Putty Cloth, Sewing Thread and Buttons* at As. 3-6 per doz. .		1,225
6. *Packing and Delivery—*		
Card Board Boxes . . . . . As. 1-9		
Wooden Boxes . . . . . . As. 1-0		
Sundries . . . . As. 0-3		
—— As. 3 per doz.		1,050
Total .		18,907

	Rs. A.
Cost per dozen	3 6
Discount and commission at $12\frac{1}{2}$ per cent.	0 8
	3 14

Selling price Rs. 4 per dozen . . . . . .
Total cost per dozen . . . .
Average size . . . .

NOTE.—Depreciation not included.

STATEMENT No. 1.

Statement of Expenses from April, 1926 to March, 1931.

	1026-27.	1927-28.	1928-29.	1929-30.	1930-31.
	Rs.	Rs.	Rs.	Rs.	Rs.
1. Labour and Bonus .	8,74,852	8,73,536	8,98,739	15,47,515	13,70,933
2. Fuel and Power . .	3,41,206	3,09,896	2,72,522	3,64,031	2,96,956
3. Water	...	...	...	...	...
4. Stores	5,74,067	5,50,912	5,76,216	9,03,098	6,59,294
5. Repairs and Maintenance	32,573	17,235	14,389	19,500	8,359
6. Supervision and Office Allowance . . .	2,36,075	1,88,758	2,11,826	2,81,884	3,01,235
7. Insurance . . .	39,000	39,000	35,950	49,200	41,120
8. Rent and Taxes . .	36,000	36,000	41,000	57,400	60,990
9. Discount and Commission	1,97,643	2,62,782	2,89,474	4,48,919	3,88,346
10. Other Expenses .	2,13,000	2,28,159	2,32,252	3,00,688	2,52,800

NOTE.—Packing and Shipping Charges included in Item No. 10.

STATEMENT No. 2.

Statement showing cost per spindle from April, 1926, to March, 1931 (10 hours per day).

	Wages and Bonus.	Fuel and Power.	Stores.	Repairs and Maintenance.	Supervision and H. O. allowance.	Insurance.	Rent and Taxes.	Other Expenses.	Total.
	Pies.	Pies.	Pies.	Pies.	Pies.	Pies.	Pies.	Pies.	Pies.
April, 1926, to March, 1927	2·92	1·48	1·23	·53	·74	·19	·13	·26	7·48
1927-28	3·09	1·34	·90	·48	·86	·22	·15	·40	7·44
1928-29	3·31	1·00	1·31	·49	1·12	·24	·23	·36	8·06
1929-30	3·16	1·20	1·10	·44	·94	·18	·15	·28	7·45
1930-31	3·58	0·93	·83	·42	·77	·17	·21	·17	7·08

Note.—Packing and Shipping charges included in " other expenses ".

	Spinning Production.	Spindles converted to 10 hours.	Production per spindle per day 20s Conversion for 10 hours.
	lbs.		oz.
1926-27	7,525,099	26,210,088	4·542
1927-28	6,818,937	23,157,308	4·667
1928-29	5,712,110	18,871,838	5·092
1929-30	6,893,579	32,732,157	5·070
1930-31	9,183,521	26,551,837	5·496
	36,133,246		

STATEMENT No. 3.

Statement showing cost per loom from April, 1926, to March, 1931 (10 hours a day).

	Labour and Bonus.	Fuel and Power.	Stores.	Repairs and Maintenance.	Supervision and H. O. allowance.	Insurance.	Rent and Taxes.	Other Expenses.	Total
	Rs. A. P.	A. P.	A. P.	A. P.	A. P.	A. P.	A. P.	A. P.	Rs. A. P.
April, 1926, to March. 1927.	0 15 8·3	3 9·0	8 8·6	1 6·5	3 2·7	0 5·6	0 8·1	0 8·1	2 2 8·9
1927-28 . .	1 0 8·2	3 4·2	9 4·4	1 3·0	4 1·7	0 5·7	0 8·2	0 8·4	2 4 7·8
1928-29 . .	1 3 4·0	3 10·12	9 6·34	1 4·46	5 1·78	0 5·11	0 8·38	0 11·71	2 9 3·90
1929-30 . .	1 4 5·7	3 5·27	9 9·1	1 1·70	3 10·7	0 4·7	0 6·9	0 9·4	2 8 5·4
1930-31 . .	1 4 0·40	2 10·64	9 5·30	1 1·63	3 9·38	0 4·89	0 7·73	0 9·08	2 7 11·05

Note.—Packing and Shipping charges included in " other expenses".

	Looms.	Production in lbs. Std. weight.	Production in yards.	Production per loom per day in 10 hrs.	Production in yard per loom.
				lbs.	
1926-27 . . .	429,935	3,860,836	16,330,143	9·7	42
1927-28 . . .	420,457	4,142,092	17,738,597	10·8	46
1928-29 . . .	440,859	4,708,826	21,164,531	11·7	53
1929-30 . . .	687,872	7,234,494	33,830,129	11·6	54
1930-31 . . .	579,188	7,266,538	30,485,290	12·6	53
		27,212,786	119,538,690		

Statement No. 4.

Cost of manufacturing 40s single yarn.

	Rs.	A.
Mixing cost (cotton) per maund of $82\frac{2}{7}$ lbs. . .	35	0
Add, waste absolute 15 per cent.	5	4
Total .	40	4

	Pies.
Per lb. .	93·9
Manufacturing cost at 14·35 pies per spindle for $19\frac{1}{2}$ hours production 6·2 ozs.	37·0
Reeling and bundling charges	9·5
Discount and commission at $3\frac{1}{8}$	5·0
Total per lb. .	145·4
Or .	12 annas 1·4 pies.

For details, please see Statement No. 6.

Statement No. 5.

Increase in cost of production.

On account of—

(A) Import duty on cotton, Rs. 2-9 per maund.

(B) Import duty on machinery, 10 per cent.

(C) Import duty on general stores, 10 per cent.

(D) Higher rate of exchange on Continental goods, 40 per cent.

(E) Surcharge of 15 per cent. on freight of coal, 10 annas per ton.

(A) We manufacture about Rs. 5,00,000 worth of goods per month, consuming 10,000 maunds of cotton.

Although the duty, *viz.*, Rs. 2-9 per maund, applies directly to the imported cotton, we presume there is a corresponding rise in the price of Indian cotton also.

Total increase in the value of cotton is Rs. 25,600 (5·12 per cent.), *vide* Statement (A) attached.

(B) 5 per cent. of the total value of the existing machinery is usually reckoned as depreciation, and it amounts to Rs. 35,000 per month. In purchasing machinery for this amount, we incur an additional expense of Rs. 3,500 (0·7 per cent.) due to 10 per cent. duty on Rs. 35,000, *vide* Statement (B) attached.

(C) Value of the Imported Stores, consumed per month, was Rs. 28,000. Now the duty on the imported goods has increased the cost of stores by Rs. 3,250 (0·65 per cent.), *vide* Statement (C) attached.

(D) Some machinery parts and mill stores were being imported from the Continent on account of their cheaper cost than British make, but the present rise in exchange has increased their price by 40 per cent. which, in another way, has compelled us to import them from Britain even at a higher price. There are yet some items still being imported from the Continent in spite of much higher price due to exchange disadvantage.

Taking a moderate figure, Rs. 6,000 worth of goods are now imported every month from the Continent.

Higher rate of exchange has increased the value by 40 per cent., *i.e.*, Rs. 24,000 (0·48 per cent.), *vide* Statement (D) attached.

Dye-stuffs are mostly imported from Germany.

The value of stuffs that used to cost Rs. 12,000 has gone up by 50 per cent.—

40 per cent. on account of higher rate of exchange.

10 per cent. on account of higher import duty.

Total increase in cost Rs. 6,500 (1·33 per cent.), *vide* Statement (D) attached.

(E) Surcharge of 15 per cent. on the freight of coal has increased the cost of coal by 10 annas per ton.

2,500 tons at 10 annas, Rs. 1,550 (0·31 per cent.), *vide* Statement (E) attached.

Summing up the abovestated figures, the cost of production has gone up on account of—

		On Rs. 5,00,000
	Rs.	
A. Import duty on cotton by . . .	25,600	5·12%
B. Do. on machinery by . . .	3,500	0·70%
C. Do. on general stores by . .	3,250	0·65%
D. Higher rate of exchange—stores by . .	2,400	0·48%
E. Surcharge on coal freight by . .	1,550	0·31%
	36,300	7·26%
Say .	36,000	7·25%
Dye-stuffs.—Higher rate of exchange and duty	6,500	...
of which . .	2,700	on Rs. 2,84,000 0·95% 8·2% on bordered goods.
	3,800	on 47,000 8·10% 15·35% on bordered goods.

3. (A) *Increase in the price of Cotton on account of Import Duty.*

Import duty on cotton is about 6 pies per lb. or Rs. 2-9 per maund.

Consumption of cotton per month is 10,000 maunds—

Imported . . .	1,300 maunds.
Indian . . .	8,700 maunds.

10,000 maunds at Rs. 2-9—Say Rs. 25,600.

Rs. 25,600 on Rs. 5,00,000—5·12 per cent.

(B) *Increase in the cost of Machinery parts on account of Import Duty.*

5 per cent. of the total value of machinery is usually allowed as depreciation and Machines are imported and added to the existing plant. Depreciation amount is Rs. 35,000 per month.

Newly levied import duty of 10 per cent. on machinery has increased the cost by Rs. 3,500.

Rs. 3,500 on Rs. 5,00,000—0·7 per cent.

(C) *Value of (Imported) General Stores consumed per month and increase in cost of same due to the Import duty.*

		Original value (approx.).	Rate of duty.	Amount of duty.	Reference page.
		Rs.	a. p.	Rs.	
1. Kerosene oil . .	130 galls.	60	1 6 per gall.	10	7—37
2. Lubricating oil . .	1,000 ,,	590	0 9 per gall.	85	7—39
	800 ,,	1,010			
3. Wood	60%	600	10%	60	8—49
4. Cans		600	...	60	9—50
5. Sulphuric acid . .	35 cwts.	220	Re. 1-9 per cwt.	55	12—72
6. Magnesium chloride .	80 ,,	250	8 9 per cwt.	45	13—72
7. Zinc chloride . .	35 ,,	330	Rs. 5-6-3 per cwt.	190	13—72
8. Electric bulb		600	50%	300	16—82B
9. Electric materials		500	10%	50	17—83
10. Bobbins		2,500	,,	250	19—97
11. Healds and Reeds		2,500	,,	250	,,
12. Shuttles		1,200	,,	120	,,
13. Leather goods		5,000	,,	500	10—95
14. Roller (cover) cloth . . .		250	,,	25	19—97
15. Roller skin		1,200	,,	120	,,
16. Clearer cloth		100	,,	10	,,
17. Machinery spare parts		3,000	,,	300	10—96
18. Card clothing		1,500	,,	150	,,
19. Paper and Boards		1,500	,,	150	20—112
20. Miscellaneous items		5,000	,,	520	18—96
		28,510		3,230	

N.B.—This includes goods imported from Continent to the extent of Rs. 6,000 excepting dye-stuffs.

Duty free goods	Rs. 8,000	not included in the list.
Indian products	,, 4,000	

Rs. 3,230 on Rs. 5,00,000—0·65 per cent.

(D) *Value of Stores imported from Continent and increase in cost of same on account of higher rate of exchange.*

General Stores (including in the other list)—

	Rs.
Original cost was	6,000
Increase in cost on account of higher rate of exchange about 40 per cent.	2,400

Rs. 2,400 on Rs. 5,00,000—0·48 per cent.

Dye-stuffs (mostly imported from Germany)—

Original cost was	12,000
Increase in cost on account of higher rate of exchange about 40 per cent.	4,800
	16,800
Increase in cost on account of import duty, *viz.*, 10 per cent.	1,680
	18,480

Total increase Rs. 6,480—Say Rs. 6,500.

Rs. 2,700 on Rs. 2,84,000 worth of goods in which coloured yarn is used for borders . . .	0·95%
Rs. 3,800 on Rs. 47,000 worth of dyed goods . .	8·10%

Increase on cost of coal owing to the surcharge of 15 per cent. on the freight—

Quantity of coal consumed in a month is . . .	2,500 tons.
15 per cent. on the freight comes to (2,500 tons at As. 10 per ton)	say Rs. 1,550

Rs. 1,550 on Rs. 5,00,000—0·31 per cent.

Total value of goods produced—

	Rs.
200,000 lbs. yarn	1,00,000
500,000 lbs. cloth—	
100,000 lbs. grey cloth	69,000
350,000 lbs. border cloth	2,84,000
50,000 lbs. dyed cloth	47,000

General Statistics.

Average consumption of cotton per month—

	Lbs.	Maunds.
(*a*) Imported cotton 150 B/S (of 720 lbs.) .	107,000	1,300
(*b*) Indian cotton 1,800 B/S (of 400 lbs.) .	716,000	8,700
1,950 B/S	823,000	10,000

Raw Cotton	823,000
Less Waste (21 per cent. on cotton) . . .	173,000
Quantity used for manufacture of goods .	650,000

Average outturn per month—

Cloth 500,000 lbs. consuming .	450,000 lbs. of yarn including waste.
Reeled yarn for market .	200,000 lbs.
	650,000 lbs.

Approximate value of the outturn per month—

	Rs.
Cloth 500,000 lbs.	4,00,000
Reeled yarn 200,000 lbs.	1,00,000
	5,00,000 of which

(A) *Value of cotton amounted to—*

(*a*) Imported cotton 1,300 maunds at Rs. 32 .	41,600
(*b*) Indian cotton 8,700 maunds at Rs. 24 . .	208,800
	250,400
	Say 3,50,000

(B) Depreciation machinery allowed Rs. 35,000 per month.

(C) *Value of stores consumed per month—*

	Rs.	
Imported, British	22,500	Now duty levied.
Imported, Continental	6,000	
Imported, British and Continental	8,000	Duty free.
Indian products	4,000	
	40,500	

(D) Dye-stuffs—Rs. 12,000.

Quantity consumed in a month—2,500 tons.

STATEMENT No. 6.

Spinning charges on yarn are reckoned from the average cost to run a spindle per day which is found out by dividing the total expenses during the month by the number of spindles worked.

	Pies.
1. Labour and bonus	8·26
2. Fuel and power	2·00
3. Water	Not incurred.
4. Stores	1·50
5. Repairs	·15
6. Supervision	1·48
7. Insurance	·26
8. Rents and taxes	·40
9. Packing	*Vide* statement attached.
10. Selling expenses	
11. Other expenses	·30
	14·35

11. Other expenses	·30

STATEMENT No. 7.

Works cost in pies for Grey Dhuty, Krishna Chhap, 44″ × 10 yds. (Cloth No. 1).

	1926-27. Pies.	1927-28. Pies.	1928-29. Pies.	1929-30. Pies.	1930-31. Pies.
1. Labour and bonus .	74·09	73·04	73·12	74·23	76·88
2. Fuel and power . .	24·56	20·74	17·20	17·73	13·76
3. Stores	37·68	34·01	33·52	32·25	29·11
4. Repairs and maintenance . . .	9·45	7·52	7·15	6·16	5·78
5. Supervision and office allowance . .	16·44	18·87	21·30	16·73	14·85
6. Insurance . . .	3·13	3·13	2·94	2·39	2·19
7. Rent and taxes . .	3·18	3·12	3·51	2·59	3·07
8. Other expenses . .	4·39	5·39	5·10	4·09	3·05
Total .	172·92	165·82	162·92	156·17	148·69

N.B.—Discount and commission charged at $3\frac{3}{4}$ per cent. on sale price.

Works cost in pies for Grey Shirting No. 4412, 41″ × 38 yds. (Cloth No. 2).

	1926-27. Pies.	1927-28. Pies.	1928-39. Pies.	1929-30. Pies.	1930-31. Pies.
1. Labour and bonus .	276·90	273·17	272·84	275·01	286·74
2. Fuel and power .	92·90	78·49	64·55	66·36	51·81
3. Stores . . .	140·42	125·92	124·78	118·80	107·61
4. Repairs and maintenance . . .	35·49	28·57	27·06	23·31	21·95
5. Supervision and office allowance . .	61·68	70·84	79·82	62·53	55·31
6. Insurance . . .	11·76	12·09	11·00	8·93	8·34
7. Rent and taxes . .	12·01	11·93	13·14	9·54	11·65
8. Other expenses . .	16·51	20·30	19·62	15·37	11·46
Total .	647·67	621·31	612·81	579·85	554·87

N.B.—Discount and commission charged at $3\frac{3}{4}$ per cent. on sale price.

Works cost in pies for Shirting Bleached No. 100, 34″ × 20 yds. (Cloth No. 3).

	1926-27. Pies.	1927-28. Pies.	1928-29. Pies.	1929-30. Pies.	1930-31. Pies.
1. Labour and bonus .	154·47	161·90	151·92	153·61	160·12
2. Fuel and power .	50·60	42·54	35·46	36·02	28·36
3. Stores	78·92	71·31	69·93	66·89	61·18
4. Repairs and maintenance . . .	19·45	15·51	14·76	12·64	11·92
5. Supervision and office allowance . .	34·14	39·29	44·07	34·44	30·74
6. Insurance . . .	6·37	6·55	5·92	4·81	4·52
7. Rent and taxes . .	6·74	6·61	7·14	5·24	6·36
8. Other expenses . .	9·04	10·91	10·59	8·31	6·35
Total .	359·73	344·62	339·79	321·96	309·55

N.B.—Discount and commission charged at $3\frac{3}{4}$ per cent. on sale price.

Works cost in pies for Bleached Striped Shirting No. 9191, 33″ × 24 yds. (Cloth No. 4).

	1926-27.	1927-28.	1928-29.	1929-30.	1930-31.
	Pies.	Pies.	Pies.	Pies.	Pios.
1. Labour and bonus .	189·63	186·92	186·85	188·90	196·84
2. Fuel and power .	62·24	52·38	43·68	44·48	34·96
3. Stores	96·89	87·61	85·94	82·24	75·08
4. Repairs and maintenance	23·83	19·11	18·17	15·56	14·66
5. Supervision and office allowance . .	42·00	48·31	54·32	42·42	37·78
6. Insurance	7·86	8·09	7·32	5·85	5·60
7. Rent and taxes . .	8·24	8·13	8·86	6·51	7·82
8. Other expenses . .	11·04	13·45	13·12	10·21	7·83
Total .	441·73	424·00	418·26	396·17	380·57

N.B.—Discount and commission charged at 3¾ per cent. on sale price.

Burma Chamber of Commerce.

(1) *Letter No. P. 220/476, dated the 21st May, 1932.*

COTTON TEXTILE INDUSTRY (PROTECTION) ACT, 1930.

I am directed to refer to the Government of India, Department of Commerce, Resolution No. 341-T. (150), dated the 9th April, by which Government referred to the Tariff Board for examination the question of the effect on the Indian cotton textile industry of the duties imposed by the above Act.

2. In para. 3 of the abovementioned Resolution, the Government of India divide into three the lines on which the Tariff Board are requested to make their recommendations. The initial question, whether the claim of the Indian cotton textile industry has been established, governs all the others, and it is one on which this Chamber is unable to express any opinion, not being in possession of the data which will be submitted to the Board. The Chamber also does not desire to express any opinion in regard to the second question.

3. In regard to question 3 (*a*), the Chamber is of opinion that Lancashire goods (apart from Greys, which are protected at present to the exclusion of Lancashire Greys) do not compete to any extent against the indigenous production, and this is especially applicable to the finer cloths such as lawns, jacconets, mulls and fancy styles, including prints. A preference could be granted to piecegoods of United Kingdom manufacture, made of yarns above 40s counts, without any appreciable detriment to the indigenous industry.

4. As regards question 3 (*b*) (iii) A, Yarns, the Chamber's information is that few Indian mills spin to higher counts than 30s, and whilst there are isolated cases where 40s are spun, output of those counts are negligible and the Chamber is given to understand that the use of imported cotton would be necessary to give satisfactory results in spinning 40s. It is therefore the opinion of the Chamber that there is no need for any duty protecting the Indian industry against yarns of United Kingdom manufacture of 40s counts and above, and that if any protection is afforded, then a preference can be given to the United Kingdom goods.

(2) *Letter dated the 18th July, 1932, from the Burma Chamber of Commerce.*

I am directed to refer to your circular letter No. 228, dated the 13th June, 1932, and to the questionnaire prepared by the Tariff Board in connection with their enquiry into the Indian Cotton Textile Industry.

2. As requested, the following answers are confined to matters with which this Chamber is directly acquainted, and the views expressed are based entirely on conditions ruling in Burma.

3. *Conclusions of Mr. G. S. Hardy:*

Q. 1. (vii) This is not now the case so far as Burma is concerned. Importations of heavy shirtings or sheetings from Japan are now negligible (1931-32).

(ix) The finer classes of Grey goods are only now commencing to arrive from Bombay. A very good Indian match to the Japanese cloth "1,000 Two Soldiers" has been seen in the Rangoon Bazaar. The cloth was darker in colour, but not sufficiently to prejudice sales, and in any event the price was about Re. 1 per piece lower. This may only be an isolated effort.

(x) Mr. Hardy's conclusion requires some modification. Lawns, Jacconets, Nainsooks, Voiles, Mulls and Dhooties remain with Lancashire, but White Shirtings or Long Cloths have definitely gone to Japan.

According to the Annual Statement of the Seaborne Trade and Navigation of Burma for 1930-31, the yardage imported from United Kingdom was 5,453,004, whereas 9,962,442 yards arrived from Japan, and it is maintained that the 1931-32 figures when available will show a greater increase in favour of Japanese sources of supply.

(xii) The Chamber does not agree with this conclusion. Imports into Burma for 1930-31 show an increase.

(xiii) Loongyees and Sarongs should be included in the group.

4. Q. 2. Whilst it is not proposed to go into details in answer to this question, it may be said that at present Lancashire is hopelessly underquoted by Japan in White Shirtings whilst local market prices of both Lancashire and Japanese cloths have been subject to an outside influence, the Chinese boycott of Japanese goods.

Q. 39. Taking all interests into consideration, the Chamber feels convinced that protection must be continued.

(i) In what form? In its present form.

(ii) At what rates? The rates must vary according to the cloth. The existing duty on Greys has undoubtedly brought about the desired result, in that the lower count Grey Shirtings and Drills which formerly were imported into Burma almost entirely from Japan have been supplanted by goods mainly of Bombay manufacture.

To apply the same rate of duty to White Shirtings would assist by increasing the landed cost of the main quality ("Three Chinamen") by approximately Re. 1 per piece, but even this advance would by no means put it off the market, although it would certainly retard sales and incidentally produce more revenue to Government.

As regards other Japanese goods, such as Zephyrs, Crepes, Dyed Shirtings, Prints, etc., excluding Artsilk Cloths, as conditions are at present the duty might well be enhanced to 50 per cent. as a measure of protection and revenue. If full protection is sought, then 50 per cent. would be insufficient.

(iii) For what period? It is impossible to forecast at present when protection will no longer be needed. For the present, no definite period can be set.

(iv) Against what classes and countries of origin? Protection is definitely required against all foreign cloths and particularly Japanese.

Q. 41. It seems clear that Japanese/Chinese 2/42s selling at Rs. 7-4 per bundle of 10 lbs. must definitely interfere with the demand for the lower count indigenous yarns. Bombay Mills are producing 2/42s but the present price is unattractive (13 annas per lb.).

Q. 42. The present definition of "plain grey" piecegoods was ill-conceived and has unduly penalised such goods as Woven Striped Poplins, Check Woven, Zephyrs and Woven Loongyees. It would meet the case if the definition were altered to:—

> "Plain Grey, that is what is commonly known as Grey Markin, Jeans or Drills if imported in pieces containing any length of more than nine yards which is not divided by transverse woven headings."

Q. 43. The Chamber considers that protection is required against imported artsilk and artsilk mixture piecegoods.

(i) The duty might well be increased from its present level of 50 per cent. (including surcharge) to at least 75 per cent.

(ii) The goods would still be reasonable in cost and the addition 25 per cent. would remain as revenue, and would also give the Indian Mills some inducement to go ahead. At present, the Chamber does not think the Indian Mills are in a position to compete successfully nor will they be for some time to come.

(iii) Yes. The present tariff definition grouping are satisfactory.

Q. 44. A system of preferential duties for cotton goods imported from the United Kingdom is practicable, if based on the count of yarn used.

(i) Most goods emanating from Lancashire are woven from 40s count yarn or higher, and compete with Indian made goods, if at all, only to a negligible extent.

(ii) From the point of view of the Indian consumer of cotton goods who wants British goods, since British goods do not seriously compete with Indian, only the revenue aspect should be considered and the protective element of the duty should be left out.

(iii) The general tax payer in India would benefit more by a moderate rate of customs duty allowing British made goods to come into the country than by a high rate shutting them out altogether.

Q. 45. No. This Chamber does not propose that any assistance should be granted to the Indian Cotton Textile Industry by other means than Tariffs.

5. It is regretted that it *was not* possible for this Chamber's replies to your Board's questionnaire to reach you by the 15th July.

Karachi Chamber of Commerce, Karachi.

(1) *Letter No. 20a-6-33, dated the 1st June, 1932.*

I am directed to refer to Resolution No. 341-T. (150), dated the 9th April, 1932, issued by the Government of India in the Department of Commerce, on the above subject, and to address you as follows:—

In the opinion of this Chamber, the protection afforded by the present abnormally high duties ought to be more than adequate for the Mill industry. These duties are already an exceedingly heavy burden on the consumers, the majority of whom are cultivators producing primary products, for which in turn they are receiving very low prices in world markets. They are thus placed at a disadvantage both ways.

Assuming, however, that the Mill industry is able to prove its case and establish a claim for still further protection, the existing level of duties would suggest either inefficiency in the industry itself or some peculiar characteristics in the competition which it is experiencing.

In the interests of consumers, this question of efficiency should be most closely examined. If this is found to be satisfactory, then in the opinion of this Chamber, evidence will show that the serious competition is almost completely confined to Japan. As this country is the only non-signatory to the Washington Convention, it would appear that the theory of peculiar characteristics suggested above is not without foundation. It might even be argued that the ability to surmount the existing tariff walls also suggests the probability of Government subsidies.

Therefore, further protection against dumping from Japan would appear to offer a solution of the situation.

Moreover, again in the interests of the consumer, this Chamber also strongly recommends that the question of relative competition from goods manufactured in the United Kingdom and for that matter in countries other than Japan should be most closely examined.

It is felt that even although many such goods directly compete with Indian Mill goods, they may already be paying a higher rate of duty than is actually necessary to protect the local industry.

The Indian Mill industry is still incapable of supplying the whole of India's needs, and it is not right that the possibility of filling that gap by an extension of the discriminating tariff, at present in force, with less strain on the consumer should not be fully considered.

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(2) *Letter No. 200-C.-36, dated the 15th July, 1932, from the Karachi Chamber of Commerce.*

I am directed to acknowledge receipt of your letter No. 228, dated the 13th June, 1932, covering a copy of your Board's Questionnaire relating to their enquiry into the Cotton Textile Industry, and to submit the following replies to those questions therein contained upon which this Chamber considers it can usefully comment:—

(vii) Yes.

(viii) The import of Greys into Karachi has been fairly steady. After a sharp drop in 1928-29, figures are again on the upward grade. The share taken by the Indian mills has shown an increase since 1928-29, whereas the fall in total imports is accounted for almost entirely by the shrinkage in United Kingdom and Japanese figures.

Grey (unbleached).

Figures in thousand yards.

	1926-27.	*1927-28.*	*1928-29.*	*1929-30.*	*1930-31.*
From United Kingdom	5,862	4,593	7,212	6,388	1,623
,, Japan	21,963	21,996	23,174	30,319	12,853
,, Other Countries	1,308	550	3,417	2,844	1,460
,, India	133,921	133,474	103,155	106,550	130,491
Total	163,054	160,613	136,958	146,101	146,427

It should not be overlooked that Karachi is the port of entry for Afghanistan in which country piecegoods of whatever origin have an equality. It is, therefore, reasonable to suppose (in fact the Chamber knows definitely, but has no figures) that a large portion of the imports from Japan and United Kingdom were re-exported to Afghanistan.

(x) Until a short time ago, yes. Japanese White Goods were unknown in Karachi until 1927-28. The undernoted figures show the progress made by them:—

White (bleached).

Figures in thousand yards.

	1926-27.	*1927-28.*	*1928-29.*	*1929-30.*	*1930-31.*
From United Kingdom . .	202,203	183,675	216,170	162,591	114,804
,, Japan	...	30	27	496	1,763

It is most unfortunate that it is not possible to give figures of sales of goods to arrive made by the Japanese this year as they are making very great progress. The imports for the first five months show that they have nearly doubled their last year's imports.

830 pkgs.	249 pkgs.	(a package may be taken as containing
1,448 ,,	455 ,,	2,500 yards average.)

It must be remembered that their sales were probably seriously hampered during October to December by their remaining on the gold standard, and it would be sales made during that period that would arrive between January and May. We believe that since they abandoned the gold standard and depreciated their currency their sales have gone up to a marked degree.

(xi) The better class Lancashire Prints such as are still being imported do not compete with any Indian mill products. In cheaper styles however (heavier goods) the Indian Mills have been successful in substituting several qualities that have competed with and driven out the Lancashire goods [see answer to (xv) below]. This Chamber has no accurate knowledge of the extent to which the Japanese goods specified compete with Indian Mills.

(xii) Beyond the established fact that dyed artificial silk goods from Japan have made inroads into all sorts of trades, such as prints, plain dyed, woven stripes, etc., by reason of their cheapness this Chamber has no figures, as dyed goods statistics are all included in prints and sundry coloured goods.

(xv) Under the existing duties Indian mills seem quite able to compete with Lancashire wherever they want. It is felt that the position would not be materially altered from the mill's point of view if duties were lowered, with corresponding benefit to the consumer. In support of this theory we give the following examples:—

Red ground white stripes known as "Sussi". This style used to pass very largely from Manchester. Five to six years ago the Indian mills turned their attention to it and have reduced the imports to a negligible quantity:

Lancashire "Sussi", 21″ × 60 yds., *ex*-godown Karachi Rs. 8-12 to Rs. 9.

Bombay Mills, similar cloth Rs. 7 to Rs. 8.

(xix) Yes, provided the price movement is sufficiently marked. See answer to (xxi).

(xx) Yes.

(xxi) They were almost entirely competing with silk but now they have definitely invaded the cotton goods field. See our answer to (xii). The strongest emphasis must be laid on the phenomenal success achieved by this style (*i.e.*, art silk from Japan) in competition with all sorts of goods like prints, dyeds, woven stripes, etc., all due to the extraordinarily low prices at which the Japanese sell them. During the last four months 2,000 cases of 26″ goods have been sold in Karachi from 5 annas per yard down to annas 3-11, all for shipment June to October, 1932. These prices should be compared with the market price of a Lancashire print such as blouse

shirtings shown under (2) below as it will then be realised how an attractive and gaudy article like A. S. competes successfully with a long established style.

2. Prices for several standard cloths are given hereunder:—

Blouse Prints (Prints).

	Counts.	*Ex*-godown Karachi.	Market Price.
United Kingdom 29½″/30″ × 50/55 yds.	33 × 31	4*d* say As. 4-10 c.i.f.	As. 4-6 to As. 4-8 per yd.
Japan 28″ × 30 yds. yds.	30 × 27	say As. 2-5 c.i.f.	As. 3-6 to As. 3-10 ,,

Bleached Goods,

Shirtings.	*Ex*-godown Karachi.
"Ganesh" Chap from United Kingdom	Rs. 10-4.
Japanese "No. 9090" . .	Rs. 8-10 quality about 2 annas per piece superior.
,, "No. 9093" . . . ,, "No. 9595" . . . ,, "No. 8888" . . .	Rs. 9-4 quality 8 annas per piece superior.
No. 7500 from United Kingdom . .	Rs. 6-12 40 yds. 29″.
Japanese based on above . . .	Rs. 6-14 40 yds. 35″, *i.e.*, 6″ more and quality 12 annas per piece better.
Japanese No. 8585	Rs. 7-8 40 yds. 34″

Manchester was asked to quote against this and required Rs. 9.

These shirtings from Japan are generally about Re. 1 per piece cheaper than Lancashire and they are about 3 lbs. per piece of 40 yards heavier. It is not easy to make a direct comparison owing to the different construction of the cloth but the Japanese are an effective substitute for the other.

Mulls.

	Ex-godown Karachi.
United Kingdom No. 24, 20 yds. 35″	Rs. 3-10-6.
Japanese 4540, 20 yds. 34″	Rs. 3-2 ordinary difference for 1″ say 1*d*. per piece.
United Kingdom No. 84, 20 yds. 38″	Rs. 3-14-6.
Japanese 5650, 20 yds. 38″	Rs. 3-5.
United Kingdom No. 358358, 20 yds. 44″	Rs. 3-3.
Japanese Ky, 20 yds. 44″	Rs. 3-3 but quality superior by 8 annas per piece.

Nainsooks.

	Ex-godown Karachi.
Japanese No. 2828, 20 yds. 28″ . .	Rs. 2-4.
Manchester required	Rs. 2-12.
Japanese 4848, 20 yds. 42″ . . .	Rs. 3-3.
Manchester required	Rs. 3-14.

Artificial Silk Brocades.

	c. i. f.	Landed cost.	Market value.
		A. P.	A. P. A. P.
United Kingdom—			
26″ × 30/35 yds.	5*d*.	7 2	5 6 to 5 9
42″ × 20/22 yds.	8¼*d*.	11 10	8 0 to 8 3
Japanese—			
26″ × 30 yds.	2⅞*d*.	3 11	4 9 to 4 10
42″ × 20 yds.	4⅜*d*.	5 10	6 9 to 7 0

4. No there is not.

5. Yes almost always.

11. (*a*) Generally speaking Indian cotton prices are guided by the greatest demand which exists for Indian cotton and this is the export enquiry from Europe, Japan and China.

On an average Europe, Japan and China consume about 3,000,000 bales, whereas Indian mill consumption amounts to about 2,000,000 bales only.

Assuming that the Indian mill consumption would decrease to 1,000,000 bales and the production of the Indian crop as well as of the American and other crops remained normal, India would have to export 1,000,000 bales more, which however would be possible only at a lower price.

In this case therefore the Indian cultivator would be adversely affected.

A similar situation arises when India produces a small crop and America and other countries large or normal ones such as has been the case this year. Had it not been for the comparatively larger enquiry from Indian mills this season, prices for Indian cotton would no doubt have remained on a considerably lower level as neither Europe nor the Far East could in view of the cheap offerings for American cotton have paid the prices for Indian cotton which Indian mills have paid during the height of the season (November-February).

The conditions are reversed however when America and other countries produce small crops and India large ones. During such years the Indian cultivator normally realises a higher price for cotton exported than for cotton sold for Indian mill consumption and he will have no difficulty in selling to exporters at satisfactory prices any surplus which may accrue owing to a reduction in the demand from Indian mills.

On an average it will be found that the years with a plentiful supply of Indian cotton and small crops of American are at least as numerous as the seasons with short crops in India and large supplies in America and it must be concluded from this that on an average and speaking in general terms the Indian cultivator is not adversely affected by a reduced demand of the Indian mills.

But there can be no doubt that for *particular* crops such as Tinnevelly, Cambodias, Surti, Navsari and for certain Bengal styles growing in the vicinity of Cawnpore the farmer would have to be contented with lower prices if the demand from the Tuticorin, Madura, Ahmedabad and Cawnpore mills decreased as these mills are, owing to their favourable situation, in a position to pay better prices than the exporters.

11. (*b*) In this Chamber's opinion India is not likely ever to produce *large* quantities of long staple cotton if by "long staple" cotton is meant with a staple longer than 1 inch. Climatic conditions in India are not very favourable for the growing of long staple cotton. Besides there is a danger of over-saturation of the market with long staple cotton while India has practically a monopoly for short staple descriptions.

12. The present import duty on American cotton has undoubtedly been instrumental in keeping up the price of Indian staple cotton relatively to

American cotton, but it would not have had this effect, or not nearly to the same extent, had not a short Indian crop coincided with a large crop of outside growths.

44. The present tariffs appear to be more than sufficient to permit the Indian mills to compete with Lancashire goods wherever they are equipped to do so.

In fact in the interests of consumers the present tariffs on Lancashire goods might be reduced without detriment to mills.

Upper India Chamber of Commerce, Cawnpore.

Letter dated the 4th June, 1932.

My Committee have been requested by the Cotton Mill Members of the Chamber to address you with regard to the Government of India Resolution No. 341-T. (150), dated the 9th April, 1932, directing the Tariff Board to enquire into the question of granting protection to the Cotton Textile Industry.

In 1926 when the original enquiry into the conditions obtaining in Cotton Textile Industry was held, my Committee addressed a letter dated 3rd September to the Secretary, Indian Tariff Board, copy of which is attached hereto. In that letter they fully stated the general attitude of the Cotton Mill Members of this Chamber towards the enquiry. The views then expressed still hold good to-day and therefore the Cotton Mill Members of this Chamber as a body do not now propose to tender official evidence on behalf of Cotton Mills in these Provinces. It is understood, however, that some of the Cotton Mill Members of this Chamber will furnish to the Tariff Board, in confidence, information asked for as fully as they can and as they did at the time of the original enquiry.

In forwarding this letter my Committee wish to emphasize the fact that the Cotton Textile Industry in India has not benefited to anything like the extent anticipated when the protective duties were imposed owing to the period of world-wide economic depression which has since intervened and the disorganisation of trade in India caused by political and communal strike. In their opinion it is therefore impossible at this stage to determine whether the duties have had the results which they were designed to achieve. If imports of foreign piecegoods have fallen by more than half, the purchasing power of the people has declined to the same extent thus similarly affecting the indigenous industry.

Further, they wish to emphasize that the degree of protection afforded by these duties has been to a large extent nullified by the recently imposed duties on imported mill stores and machinery and the adverse influence of the alteration in exchange rates as between Japan and India since the former country abandoned the gold standard.

My Committee still most strongly adhere to their opinion that, if the Cotton Textile Industry in India, in which many crores of rupees are at stake and which gives employment to many thousands of workmen, is to continue to exist, at the very least the present scale of import duties on cotton cloth and yarn must be continued.

Enclosure.

Copy of a letter dated the 3rd September, 1932, from the Secretary, Upper India Chamber of Commerce, Cawnpore, to the Secretary, Indian Tariff Board (Cotton Textile Industry Enquiry), Bombay.

My Committee have been requested by the Cotton Mill Members of this Chamber to address you in support of the representation made by the Bombay Millowners' Association to the Tariff Board. In doing so my Com-

mittee desire it to be clearly understood that the views and opinions expressed in this communication are those of the members of the Chamber who are directly interested in the Cotton Mill Industry. The Chamber, as such, does not feel called on to put forward any opinion, either for or against the claims made by the Bombay Millowners' Association for Government assistance to the Cotton Mill Industry.

The Cotton Mill Members support in general the representations with regard to the parlous state of the cotton industry in India during recent years, and they confirm the opinion of the Bombay Millowners' Association as to the causes which have brought about this state of affairs. Those causes, briefly named, are:—

(*a*) The adverse influence of exchange, particularly as between Japan and India.

(*b*) The special conditions of labour existing in Japan whereby women and children may be and are employed in a manner and for periods inconsistent with the standard laid down by the Washington Convention and accepted by India.

(*c*) The rise in the cost of labour expressed in the amount of wages paid to the workers in relation to the cost of living.

(*d*) Taxation so far as it relates to stores used in a cotton mill, and excessive taxation in respect of income-tax and super-tax.

Whether it is practicable for Government to remove or alleviate any or all of these causes, and if so by what means, are matters for the Tariff Board to say. The industry having stated the causes of the distress the Tariff Board are asked to examine the various conditions responsible for these causes.

The Cotton Mill Members are divided in their opinion as to the desirability of such a searching enquiry into the costs of production all over India, as is indicated in the questionnaire issued to individual mills with the Tariff Board's letter No. 242 of July 27th. Some of the Cotton Mill Members feel that the representation by the Bombay Millowners' Association and the terms of reference to the Tariff Board by Government do not call for the institution of such a detailed and minute examination into individuals' affairs nor can they see the ultimate use of such information if obtained, unless the Tariff Board has in its possession similarly detailed information with regard to individual mills in Japan and in England. Even then its interest would be academic only; the fact that certain operations cost more or less in a mill in India than in a similar mill in Japan would not help to the solution of the problems which have been put forward. If it be suggested that it is expected to make use of the particulars by showing that individual mills in one part of India could conduct certain operations at a lower or higher cost than Bombay, or *vice versâ*, it is still difficult to see of what practical use this would be to the industry as a whole, assuming that it was permissible or proper to make that information public.

They are of opinion therefore that much valuable time will be taken up to no practical purpose if the Tariff Board set themselves to gathering a mass of statistical information of this character. It is believed that few, if any, individual mills would be prepared to supply the fully detailed information which is asked in this questionnaire, although doubtless many millowners would be willing to give much of the information in private to the Tariff Board. They feel that the almost certain refusal of a large number of mills to supply detailed evidence with regard to their private affairs might act prejudicially upon the enquiry as a whole, and they would therefore urge upon the Tariff Board the desirability of confining their enquiries and activities to the elucidation of the problems set before them by the Bombay Millowners' Association with a view to recommending, if possible, a remedy.

Others of the Cotton Mill Members are of opinion that the Terms of Reference to the Tariff Board enjoin on that body the duty on enquiring minutely into all the conditions of the industry and feel that unless the Tariff Board has the fullest possible access to all information connected with the industry it will fail of its purpose. It is understood that some of the Cotton Mill Members of the Chamber will furnish to the Tariff Board, in confidence, information asked for, as fully as they can.

Reverting to the main heading of the causes to which the present depression is attributed by the Bombay Millowners' Association, the Cotton Mill Members of the Chamber do not desire to stress further the adverse influences of exchange. The case has been very fully put forward by the Association, with all the relative facts and figures, which are susceptible of ready check by the Board. It is hoped that the Tariff Board will be able to suggest a remedy which will alleviate or annul this deterrent factor.

The Cotton Mill Members are not unobservant of the natural effect of the fixation of exchange at 1/6 naturally it enables the manufacturer in foreign countries to deliver his goods in India at a lower figure in rupees than would be the case if exchange were fixed at 1/4, whilst the Indian manufacturer will find very little diminution in his manufacturing costs, though it is admitted that the higher ratio of exchange on imported stores will result in a fractional reduction. It is contended by some members of the industry that mills which purchased their machinery on the basis of 1*s.* 4*d.* will be at a disadvantage with new mills which may be erected and furnished on the 1*s.* 6*d.* basis, inasmuch as their provision for depreciation must be on a 12½ per cent. higher capital value. Other members are however prepared to admit that the rise in machinery prices since the rupee was at 1*s.* 4*d.* will more than compensate for any advantage new mills may enjoy in this respect.

As to the unfavourable influence exercised by the non-observance in Japan of the restrictions with regard to hours of labour for women and children, it is recognised that Japan is quite free to ratify or not ratify the Washington Convention. But if Japan continues to employ cheaper labour power by the means above mentioned it follows that their production costs must be less than those obtaining in a country like India where better conditions for the labourer are observed.

At this point it might be remarked that Indian States are not bound by the ratification of the Washington Convention and there is good ground for belief that cotton mills situated in certain Indian States in India are working under conditions with regard to hours of labour, employment of women, etc., which would not be permissible in British India.

Morally it might be held that Japanese imports ought to be penalised to an extent sufficient to cancel the difference in cost due to this cause, but it is recognised that it is not practicable to discriminate against particular countries in view of the trading agreements which already exist. The Cotton Mill Members of the Chamber suggest that a means of penalising such imports might be provided by the imposition of the special duty recommended by the Bombay Millowners' Association, but only on imports of cotton yarns of counts below 40's and upon all woven or knitted goods made, wholly or partially, from such yarns, irrespective of the country of origin. This would not involve the violation of any trading agreement or convention and would, it is believed, provide a much-needed relief to the Indian Cotton Industry which is chiefly concerned with the production of yarns below 40's.

Should such a protective or special duty be imposed the possibility of earmarking the additional sum so realised for payment of a bounty upon exports abroad might be considered by the Tariff Board.

With regard to the question of wages, it is a well-known axiom to all industrial employers in India that it is virtually impossible to decrease a wage rate once established. With the rising cost of living from 1915

onwards mills were rightly obliged to increase the regular rates of wages to workers. With the decrease in the cost of living index figure, however, it is found impossible to get the workers to accept a decreased rate of wage, whenever and wherever this has been attempted it has immediately roused intense opposition from the workers, usually ending in a strike. Nor is it altogether desirable to return to a lower wago scale if that brings with it, and it is almost necessarily must, a decrease in the standard of living in which the worker has newly accustomed himself. The standard of living in India is notoriously low and the Cotton Mill Members of the Chamber feel that the only thing to be done to meet the increased cost of production under this head is to endeavour by all possible means to get a higher standard of work both in quantity and quality from the worker. It is not anticipated that the Tariff Board will suggest a reduction in cash wages as a practicable means of alleviating the present distress.

In the matter of excessive taxation, here again the Cotton Mill Members of the Chamber feel that the case has been adequately and fairly represented by the Bombay Millowners' Association and the facts are known to all. It is not proposed therefore to labour this point—they support the Bombay representation, although of course it is understood, that in times like the present, income-tax and super-tax cannot affect the industry for good or ill.

The Cotton Mill Members of the Chamber desire also to support the Association in its claim that the customs duty at present levied upon stores imported for consumption in mills and factories should be abolished. It is a direct tax upon the productive capacity of the country and it should be the object of Government to assist by all possible means the production of goods in Indian Factories at the cheapest possible prices so that sales may be increased in volume—possibly by access to new markets. The abolition of this impost would naturally leave a larger margin between cost price and selling price of the product than is practicable whilst these duties are levied, and consequently the individual concerns, when they are earning profits at all, would be earning profits larger than was otherwise possible—these increased profits would automatically provide more revenue to Government in the shape of an increased return from income-tax.

Finally, whilst submitting this general view of the whole situation and expressing their opinion thereon, the Cotton Mill Members of the Chamber are of opinion that no particularly useful purpose would be served by the tendering of official evidence on behalf of cotton mills in these provinces—their numbers are small and their conditions so widely different from those obtaining in Bombay and Ahmedabad that their statistics of cost and production would form no useful criterion by which to measure the operations of, say, a Bombay mill, assuming that such particulars are eventually obtained from the individual mills of Bombay.

Bengal National Chamber of Commerce, Calcutta.

(1) *Letter No. G. I/10-M., dated the 8th June, 1932.*

With reference to this office letter No. G. I/10-M., dated the 24th May, 1932, I am directed to enclose for your information six copies of the letter No. G. I/10-M., dated the 6th June, 1932, to the Director of Industries, Bengal, on the subject of the reference made to the Board regarding the granting of protection to the cotton textile industry, together with six copies of the letter No. G. I/10-K., dated the 30th April, 1932, to the Secretary to the Government of India, Commerce Department, on the subject of the advisability of giving any preferential tariff treatment to England, and which has been referred to in paragraph 4 of the letter, copies of which are enclosed herewith.

Enclosure 1.

No. G. I/10-M.

Bengal National Chamber of Commerce,
20, Strand Road,
Calcutta, the 6th June, 1932.

From

The Honorary Secretary,
Bengal National Chamber of Commerce,

To

The Director of Industries, Bengal,
Calcutta.

Sir,

I have the honour to acknowledge the receipt of your letter No. 9203-D. I. G., dated the 9th May, 1932, forwarding for an expression of opinion by this Chamber, a copy of the Tariff Board's Communiqué, dated the 11th April, 1932, relating to their enquiry regarding the grant of protection to the cotton textile industry, together with a copy of their letter No. 170, dated the 22nd April, 1932, to the Government of Bengal, Department of Agriculture and Industries, and inviting particular attention of the Chamber to the effect of the existing tariff legislation (Import Duty) upon the cottage handloom weaving industry. In reply, I am directed to submit the following as being the considered views of the Committee of this Chamber on the points referred to.

2. Referring first to the point mentioned by the Tariff Board as to whether the claim of the Indian cotton textile industry to protection has been established, the Committee would like to point out, at the outset, that barely two years have elapsed since the passing of the Cotton Textile Industry (Protection) Act of 1930, making it a bit difficult to assess the effects of the passing of such a legislation within such a short time of its operation. It is however significant, that the production of piecegoods in India should have increased to such a considerable extent, as is borne out by the figures mentioned below. It is quite well-known that the production of piecegoods in Indian mills has increased from 2,418 millions of yards in 1929-30, to 2,561 millions of yards in 1930-31, and to 2,948 millions of yards, approximately, in 1931-32 (calculated from the production of 2,457 millions of yards during the 10 months ending with January 1932).

3. The progress of cotton textile industry in recent times can also be noticed from another standpoint. If the figures only for the 9 months, April to December, 1931, are taken, it will be found that no less than 23 cotton mills were established in different provinces during the period, with the total aggregate authorised capital of 3·59 crores of rupees. The Committee of the Chamber consider it significant that in no other single industry, except in some unspecified ones, should such a big amount of capital be invested, particularly at a time when investors in India, as in other countries are feeling exceedingly shy in putting in their spare capital in new enterprises. The fact is that the protection given to the industry has induced a feeling of confidence in the minds of the investors, at least to such an extent as to persuade them to float companies with the largest individual amount of capital.

4. Turning next to the question of the degree of protection the Committee would point out that an all round duty of 20 per cent. should be imposed on the imports of cotton piecegoods from foreign countries irrespective of the sources of origin. The Committee would, in this connection, also refer to the issue raised by the Government of India, as to whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere, and would point out that no case has, in their opinion, been made out in favour of any scheme for a preferential treatment to products from the United Kingdom. The Committee recall that when

the Cotton Textile Industry (Protection) Act was passed in 1930, providing for a preferential treatment to imports from the United Kingdom, the arguments which were used by the Government were to the effect that the manufacture of cotton piecegoods from finer counts was of such a minor importance at the time, so far as the activities of the Indian cotton mills were concerned, that the imposition of a rate equal to that applied in the case of the import of coarser stuff was not justified. The Committee do not propose to examine on this occasion the justifiability, or otherwise, of the policy adopted by the Government at the time, but they would point out that subsequent events have falsified the assumption made by the Government of India as to the possibility of the manufacture of cotton piecegoods in India from finer counts spun within the country itself. The quantity of yarn spun in the Indian cotton mills of counts numbers 31s to 40s have increased from 38·5 million lbs. during the 10 months, April to January, 1929-30, to 50·0 million lbs., and 57·9 million pounds during the same period in 1930-31 and 1931-32, respectively, while that of yarn above 40s counts has increased from 12·8 million lbs. to 22·2 million lbs. and 23·3 million lbs., respectively in 1930-31 and 1931-32. The Committee take this opportunity of reiterating what they said in paragraph 5 of their letter No. G. I/10-K., dated the 30th April, 1932, to the Government of India, Commerce Department, regarding the effect of a scheme of Imperial preference on Indian trade and industry (*vide* copy enclosed). The rate of protection required by the condition of any industry does not admit of any preference in favour of any particular country if the protection to be effective; and any concession granted to any particular country is in regard to the degree of protection results only in counteracting to a corresponding extent the effects of a protective policy. The Committee would therefore suggest that a uniform rate of 20 per cent. should be imposed on all imports of cotton piecegoods from outside irrespective of the country of origin.

5. Coming next to the question of the effects of existing tariff legislation on the cottage handloom weaving industry the Committee would point out that the cottage handloom weaving industry in the province has undoubtedly to face competition from mill-made piecegoods, Indian or foreign, particularly in regard to the output from finer counts. They however regret that they are not in a position to supply any information on the subject. But they would like in this connexion to bring to the notice of the Tariff Board the fact, that the recent imposition of a duty of 6 pies per lb. on the import of raw cotton from outside is having a most disastrous effect on the cottage handloom weaving industry in Bengal. The weavers of Bengal are practically divided into two classes—the Tantis, and the Jolas. The latter class has been to a great extent absorbed by the cotton mills of the province, though it is also true that a large number of them has had to take up agriculture as their means of subsistence. The Committee however do not propose at this moment to refer to them, as the problem arising out of their lot is only a part of bigger problem of a proper adjustment of agriculture and industry in the economy of the province. They would however take this opportunity of referring to the fact that the former class of weavers the Tanties are noted for the high class artistic work and finish which it is not yet possible for a mill, Indian or foreign, to turn out and it was for this reason that there never was any competition between mill products, whether of India or of outside and those of the Tantis of Bengal. But unfortunately this high class of artistic work requires the use of cotton which is not produced in this country to-day, and the necessary yarns which vary in different districts from 60s to 120s counts used to be imported from abroad. With the advent of Swadeshi movement, however, these handloom weavers were naturally getting out of employment, as there was a natural feeling among the general public against any commodity in the production of which foreign yarn were so extensively used. But of late, a tendency was clearly discernable in the activities of the cotton mill industries of India, in so far as they were gradually moving towards spinning higher counts. In all the mills recently started, and

those to be started in near future, the machineries are designed to spin higher counts, and it was confidently expected that in a few year's time the Indian cotton mills would be able to supply the Bengal handloom weavers with the finer counts of yarn for the supply of which the latter had so long been dependent on foreign sources, and the hope was also fondly cherished that simultaneously with the development of cotton textile industry in India, this highly artistic class of Bengal weavers would be saved from extinction and ruin. But, unfortunately, in September last, the Government of India, merely for the purpose of balancing their budget imposed a duty of 6 pies per lb. on the import of foreign cotton to India, thus making it impossible for Indian mills to spin cotton of the fineness indispensible to the weavers of Bengal for the manufacture of a highly artistic and finished texture; this is, in the opinion of the Committee of this Chamber very unfortunate, tending, as they apprehend, towards the ultimate extinction of the Tanties of Bengal. The Committee would strongly urge for the consideration by the Tariff Board that so long as the production within the country of the requisite variety of cotton in large quantities cannot be ensured, the import of the same to the country should be freely admitted, in order not only to keep alive an art the artistic character of which has been almost of historic importance, but also to give employment to a large number of Tanties of the province, who would find it very difficult to transfer themselves, with their skilled knowledge to other industries. The Committee of the Chamber cannot too much emphasise the fact that the Governments of all countries give all possible facilities for the import of raw materials at the lowest cost in order to improve the condition of the indigenous industries, and to make it possible for them to compete with the finished commodities of other countries. The taxing of the raw material is perhaps unknown in the economic history of the whole world, and the Committee fail to see why there should be any departure in this respect from the practices of other countries in India also.

No. G. I/10-K.

Bengal National Chamber of Commerce,
20, Strand Road,
Calcutta, the 30th April, 1932.

From

The Honorary Secretary,
Bengal National Chamber of Commerce,

To

The Secretary to the Government of India,
Commerce Department,
Simla.

Sir,

Re *Imperial Economic Conference, Ottawa, July, 1932.*

I have the honour to acknowledge the receipt of your letter No. 752-T. (4), dated the 6th April, 1932, asking for an expression of opinion on the part of this Chamber on the attitude to be taken up by the Indian delegation to the above Conference regarding the advisability or otherwise of India entering into a tariff agreement with Great Britain embodying a reciprocal preferential regime so designed as to benefit the trade of both countries, and I am directed by the Committee of the Chamber to state the following as being their considered views on the subject.

2. The Committee would, at the outset, mention that they share the feelings of disappointment and misgivings as expressed by the President of the Federation of Indian Chambers of Commerce and Industry in his recent letter to the Government regarding the appointment of the Delegation. The Committee deeply regret that the Government have not thought

it fit to consult the Indian mercantile community on the question of the personnel of the delegation to a conference convened to consider such vital issues as the fiscal relations between India and England and other countries within the Empire. While appreciating the action taken by the Government in inviting the opinion of the Chamber, on this question, the Committee would still point out that the question of the personnel of the delegation has a no less important bearing on the points at issue; for, the fact that the delegation is going to attend the Conference not as representatives of the Indian mercantile community, but of the Government of India deprives it of the representative character which it would have otherwise possessed.

3. The Committee of the Chamber have in this connexion taken note of the assurance given by the Government in paragraph 4 of the letter under reference that the approval of the Legislative Assembly will be sought by them in any matter affecting the fiscal relations of India with England, but they regret, taking into consideration the present composition of the Legislative Assembly, they do not feel assured that this would ensure the rejection of any proposal which is not in the interests of India. It would have obviously been much better to postpone the consideration of the question till a later date, when a responsible Government at the centre with a representative legislature might consider the matter from all points of view. The Committee are of opinion that the antipathy of the Indian people to any general scheme of Imperial Preference cannot be ignored at this stage, particularly when the political condition in this country is so unsettled; and while they have tried to approach the problem from a dispassionate point of view, taking into consideration only the possible economic gains and losses arising out of a reciprocal trade agreement between the two countries, the sentiments of the general public, cannot, in their opinion, be left entirely out of consideration. They therefore reiterate what they have already said that a scheme of Imperial Preference would have been calmly considered by the people, in an atmosphere of peace and goodwill, after the introduction of responsible Government at the centre; and that it would have been better if a delegation representative of the people of the country could have been sent to the Ottawa Conference. In the circumstances, the Committee would strongly emphasise that any settlement agreed to by the present delegation at the Conference will not be binding on the country unless ratified by the responsible Central Legislature brought into being by the new constitution, and that any commitment made by the present delegation should be considered as open to repudiation.

4. Coming next to the merits of the question, the Committee of the Chamber would state. at the outset, that no case has, in their opinion been made out in favour of India entering into a general tariff agreement with Great Britain "embodying a reciprocal preferential regime so designed as to benefit the trade of both the countries". In the first place, besides the well-known fact of India being a country exporting mainly raw materials, the further fact that the free list in the British Import Duties Act of 1932, as given in the enclosure to the letter under reference does not contain any manufactured commodities. naturally causes misgivings as to the possible benefits arising out of the offer of the British Government to enter into a reciprocal agreement with India. The Committee do not consider it necessary at this stage to dilate on the desirability and the feasibility of the industrialisation of the country. But they cannot help mentioning that with the vast natural resources at the disposal of the country, the best policy that the Government of India should adopt at this moment is to encourage the utilisation in far greater quantity than at present of these resources. Such a course should be preferred to going in for a reciprocal agreement with other countries calculated not only to drain away the vast potential resources of the country, but also to expose the few indigenous industrial concerns, that have managed so far to pull on against all sorts of difficulties, to a very severe competition from the foreign rivals. The Committee are,

therefore, of opinion that, generally speaking, no agreement should be entered into by this country with Great Britain or any other country, which might hamper a rapid industrialisation of the country.

5. The Committee of the Chamber have also carefully considered the matter from other standpoints and have come to the same conclusion as to the inadvisability of a reciprocal trade agreement, quite independent of the arguments mentioned in the foregoing paragraph. They would point out, in this connection, that the policy of discriminating protection to Indian Industries having been accepted by the Government, and the degree of protection granted to the various industries having been decided upon, after mature deliberations, a rebate granted to the British products must naturally undo the effects of protection granted to the various industries. The only other alternative will be to maintain the *status quo* with regard to the duty on the British goods and increase the rate on imports of non-British countries. The advisability or otherwise of the adoption of such a measure will however depend to a great extent upon the scope for retaliation by other countries, the export trade of which will be affected by the grant of preference to British goods. The danger of retaliation is most likely to emanate from Japan which provides an extensive export market for Indian supplies of raw cotton. Though it may not be possible for Japan to immediately dispense with Indian cotton there is always the potential risk of her taking recourse more and more to some other alternative sources of supply. An eventual diversion of the trade in this manner must entail an irrevokable loss on the cotton growing interests in India. In the circumstances India has a right to demand, in case Japan imposes higher duties on the import to that country of raw cotton from India, than from other countries, that the deficiency thus caused in the total export of raw cotton from this country will be made up by a corresponding increase in the export of the commodity to England. The Committee of the Chamber are not, however, aware whether such an agreement will be accepted to England specially in view of the fact that the particular variety of raw cotton that is exported from India will not suit the requirement of Lancashire cotton industry.

6. Passing on next to a detailed consideration of the commodities that enter into India's export trade as also included in the list of commodities proposed to be exempted from the provisions of the British Import Duties Act, the Committee would refer first to the case of wheat in grains. It is generally admitted that besides the chief competitors of India in this respect being mainly within the Empire, the problem with regard to this commodity is not so much to find a market outside the country, as to restrict of the home market entirely to the home product. As a matter of fact, though the exports in the year 1930-31 were much larger than in the preceding year or even the year before the total quantity exported formed only 2·1 per cent. of the total amount produced. The fact that in spite of the heavy production in 1930 (9,302,000 tons) the exports of wheat did not reach a very high figure is significant enough, while the considerable volume of the imports of wheat into India during the same period, being as much as 232,000 tons is no less a remarkable feature of the trade last year. The Committee of the Chamber consider that there is much force in the argument that the reason of this extraordinary phenomenon is the lower price at which Australian wheat could be placed in the sea-port towns of India than that which had to be paid for Indian wheat through long distances by rail from the up-country producing areas. The remedy of this does not lie, in the opinion of the Committee, in an extension of the external market for wheat, obtained in return for valuable concessions made by India in the matter of her import trade, but by a suitable modification of the railway freights policy of the Government of India and the imposition of higher protective duties on Australian wheat, a principle the soundness of which has been tacitly admitted even by the Government of India as is evident from the actions taken by them last year.

7. With regard to the export of oil-seeds from India, it is interesting to note that the commodities under this group which ranked fourth among India's exports in the two preceding years have since suffered a reverse, occupying the fifth position, and yielding place to tea, a commodity to which the Committee will refer presently. An analysis of the figures will show that though Britain heads the list of importers of linseeds, her percentage share is only about a fifth of the total trade, and what is more significant is that it is gradually decreasing, while that of other countries, such as Italy and Netherlands, is fast advancing. This will be apparent from the fact that the offtake of Britain fell from 80,000 tons in 1929-30 to 58,000 tons in 1930-31, as compared with the increase in the shipments to Italy, Netherlands and Spain from 28,000, 7,000 and 7,000 tons to 33,000 23,000 and 9,000 tons respectively. These figures are, in the opinion of the Committee, significant enough, and clearly indicate the inadvisability of taking measures, the ultimate effect of which might be to antagonise the countries where an extensive market for Indian products is being gradually built up. Another commodity in this group in which Britain heads the list of importers is rapeseed, though here too, in the year 1930-31, France accounted for exactly the same percentage share as Britain. Almost the same tale is told by groundnut, in respect of which an export of 172,000 tons to England may be compared with 167,000 and 120,000 tons to the Netherlands and Germany respectively. The only other commodity in respect of which Britain still possesses a lead is cotton seed, but the point that the Committee would like to make out in this connection that besides the total quantity exported to various countries being quite negligible, there is clearly discernible a reverse movement in the percentage shares of Britain and other countries with regard to the import of this commodity from India. These facts, the Committee consider, do not warrant them to hope for any relief in the British market at least sufficient enough to induce India to grant preference to British manufactures.

8. Coming next to the question of Hides and Skins, it will be found that so far as the raw hides are concerned, the share of England in Indian export trade is quite negligible, forming about 7·1 per cent. of the total trade, and it is obviously out of question, if not unnecessary to look for any extension of the market therein. The Committee of the Chamber are, however, aware that with regard to the dressed and tanned hides and skins Britain provides an extensive market for the Indian commodities, her share in this respect being as much as 91·5 per cent. of the total trade. The Committee would however point out that the total trade in this particular commodity being only 2·90 per cent. of the total export trade of India, they do not consider it advisable at this stage to enter into any agreement with Britain, by virtue of which the latter would enjoy any right of export to India on a preferential basis of any commodity in return for the protection of the existing market for dressed and tanned hides and skins in England.

9. Again though, tea superficially appears to present scope for substantial advantage to India under a scheme of preference but even in respect of this article the benefit is apt to be grossly exaggerated. In fact the export to Britain of as much as 84 per cent. of the total export of tea from India has in certain quarters been considered a very strong argument in favour of arriving at a reciprocity arrangement with her. But what has obviously escaped notice is the fact that about 90 per cent. of the total tea interest in India is dominated by British capital, subscribed not only in England, but also in India. In this condition of the industry the Committee believe that the preference proposed to be given to Indian tea would if at all, be accepted more out of regard for British than for Indian capital interests and the accordance of preference to Indian tea cannot in such circumstances make it obligatory on India to reciprocate.

10. Coming next to the question of iron and steel, the Committee would like to refer to the fact that India grants even now a measure of preference to Britain regarding the import of the commodity into India from that country. The Committee however regret to find in the circumstances, that the free list enclosed to the letter under reference does not contain pig iron, a commodity in respect of which India might have reasonably expected a preferential treatment in England, particularly in view of the fact that Japan has already reduced her offtake of the article as a retaliatory measure against discrimination against her in respect of cotton piecegoods.

11. In the foregoing paragraphs the Committee have considered only those commodities which have by virtue of their position in the Indian export trade any important bearing on the question at issue; and the detailed consideration of the relevant facts and figures have let them to come to the conclusion as to the inadvisability of entering into a general trade agreement with England on the reciprocity basis. In conclusion, the Committee of the Chamber would like to point out that they have so far only considered the question of granting any preference to England and not to the other units of the Empire, as evidently the Government have not, in the letter under reference, asked for an expression of opinion on this aspect of the problem as well. In view of the fact, however, that the forthcoming Conference at Ottawa will also consider the question of a reciprocal trade agreement between various units of the Empire, the Committee take this opportunity of pointing out that generally speaking, the arguments they have put forward in the foregoing paragraphs in opposition to a general scheme of granting of preference to England hold good in the case of the Dominions as well.

(2) *Letter No. G. I/10-M., dated the 10th/12th August, 1932, from the Bengal National Chamber of Commerce, Calcutta.*

In continuation of this office letter No. G. I/10-M., dated the 12th August, 1932, I am directed to send under separate cover 6 copies of the reply of this Chamber to the Questionnaire issued by your Board regarding the enquiry into the Cotton Textile Industry. The delay in submitting the replies to the questionnaire has been due to some unforeseen circumstances and is very much regretted.

I am to add that mill "A" has informed the Chamber that they will submit detailed answers to Question No. 16 later on.

Enclosure.

BENGAL NATIONAL CHAMBER OF COMMERCE.

Replies of the Committee of the Bengal National Chamber of Commerce to the Questionnaire issued by the Tariff Board in connection with the enquiry into the Cotton Textile Industry.

1. (i) The statement of Mr. Hardy, that only one per cent. of the cloth returned as "Grey or Bleached" by the Indian mills is bleached, is not correct; for, so far as the Committee of the Chamber have been able to ascertain, Indian mills are gradually increasing the production of bleached goods to meet the demands of the consumers. Most of the mills are now putting up bleaching plants where they had none before. In Bengal, Kesoram, Bengal Luxmi, Sree Radhakissen and the Mohini Mills have bleaching plants, the latter having started the bleaching department since 1931. The Dhakeswari Cotton Mills had no bleaching plant before but they are now gradually putting up necessary plants. Complete statistical figures are not available to the Committee, but they believe that the state of affairs has considerably changed since Mr. Hardy had submitted his report.

(ii) Yes, Calcutta is the principal market for Indian grey cloth.

(iv) The Committee have no information as to the exact proportion but they may state that while in the mills of Bengal, Bombay and Ahmedabad, Dhuties and Sarees are woven from warp from 20s to 27s and weft from 30s to 40s almost all the mills are moving towards the finer counts as Dhuties and Sarees of finer texture have better demand in Bengal in normal times. The Dhakeswari Cotton Mills, to take one example had been running three preparations out of five in 40s to 55s before the present economic crisis. But gradually, having regard to the diminishing purchasing power of the consumers, they have brought down this figure to one now, but with the revival of the economic condition of the country they hope to go back again to finer side.

(v) It is true that the United Kingdom scarcely goes below counts 24s warp, and that formerly few Indian mills used to manufacture goods with yarn of 40s and higher counts, and so in the past there was little of overlapping but with increased demand on the part of the consumers and improved machineries most of the mills are working at present on counts higher than 40s, some going as high as 100s and above in order to gain the home market. Consequently there is some competition with goods from the United Kingdom; and the competition is becoming keener and keener. When the consumers want finer stuff the mills must either produce finer goods or give up the said consumers. The Committee would, in this connection, draw the attention of the Tariff Board to paragraph 22 of Mr. Hardy's Report [referred to by the Board in Question 1 (xviii)] where he himself admitted that "there is always the possibility that a rise in the price of imported products may not drive the purchasers to a local product of the same kind but rather to an imported product of a slightly different kind". In other words, competition with foreign goods is not always determined so much by the quality of the goods as by their price.

(vi) Among the dhuties and sarees imported from Japan there are several varieties which correspond in counts, Reed and Pick to dhuties manufactured in India. Though the Japanese dhuties and sarees are mostly woven from yarn of counts 30s and above it is significant that if Japan sells Dhuties and Sarees of finer stuff at lower prices than those of goods manufactured in India, the consumers prefer to buy Japanese goods to Indian as the taste is generally in favour of finer goods and it is only the purchasing power which stand in the way of buying finer goods.

(vii) This is correct; Japan has practically ousted the Indian mills in this field. In the interior villages, heavy shirtings which are sold are entirely made in Japan.

(viii) This could be possible only when Indian products are protected.

(ix) The Committee have no detailed figures at their disposal, but they believe that though the Indian mills did not previously go in for finer counts, all the new mills that are now being started are designed for finer counts, and even the old mills are making alterations in machineries to meet the demands. Further, unless the Indian mills move in this direction they will have to lose market of Dhooties and Sarees, as consumers are fast developing a taste for finer goods.

(x) It is true that the finest goods are manufactured by Lancashire. But it cannot be admitted that it is impossible to manufacture that class of goods in India. The difficulties that stand in the way is that the requisite quality of cotton is not available in India, but these difficulties can be overcome by importing suitable cotton from Egypt, America and Uganda, and in fact cotton mills are spinning fine yarn for high class bleached goods. Machineries are being designed with that object in view, and labour which was not efficient to handle such fine yarn a few years back, are gradually becoming more efficient. Further, import trade in this class of goods has been to some extent transferred from the hands of Lancashire to those of Japan.

(xv) There is competition as between mills which manufacture finer coloured goods in India and United Kingdom. As in the case of Dhooties and Sarees, consumers prefer finer colour shirtings. This is more so in Bengal. Competition will therefore be keener and keener as time passes and already due to the exchange depreciation and the imposition of import duty on dyestuff, the Indian mills are feeling very keenly the competition from the United Kingdom, Japan and Italy, the cost of dyeing having increased by about 40 per cent. Indian mills feel that they can manufacture goods equally fine in texture and colour provided suitable opportunities are given to them.

(xviii) This is correct. Area for area, fine cloth is cheaper than coarse cloth, making some allowance for fineness as the quantity of cotton required in fine cloth is less. People will prefer to have finer stuff to coarser if the difference in price be not great. So there will in future be a great competition between imported fine cloth and coarse Indian cloth.

(xix) This is correct. It is always observed that movement in prices of all sorts of cloths is almost simultaneous. Textile industry being an international industry, fluctuation in any part of the world in any sort reacts on those of others.

(xx) It cannot be said that artificial silk is not competitor of cotton. Even where artificial silk is only used for Dhuty borders and for stripes in shirtings it comes in direct competition with pure cotton goods in as much as the former attracts buyers in preference to the better. Having regard to the fact that it contains small quantity of artificial silk the difference in price is negligible and therefore the competition becomes all the more keener. But entirely artificial silk cloth is competing with cotton cloth.

(xxi) Indian silk industry is also very much hampered by the competition of the artificial silk.

3. Yes, this is correct. There is a very keen competition between Indian mills internally. This can be demonstrated by the fact that, with the increase of mixing costs, there have not been corresponding rises in the prices of cloth when other costs are constant. Even at the present moment, though the price of cotton has gone up by about Rs. 80 per khandi there has not been corresponding rise in price of finished goods on account of competition amongst the Indian mills themselves. Mill " A " has supplied the following statement:—

	1928.	1929.	1930.	1931.	1932.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Mixing cost—					
Coarse, 20s × 30s .	0 9 2	0 9 1	0 6 7	0 6 0	0 5 8
Fine, 40s × 50s .	0 11 0	0 11 2	0 9 10	0 7 0	0 6 9
Cloth No. 411, 44″ × 10 yds. × 2-7 oz., Coarse, R44 × 44P .	2 11 0	2 11 0	2 7 0	2 0 0	1 13 0
Cloth No. 833 Fine, 44″ × 10 yds. × 1-12 oz., 52 Reed × 52 Picks . . .	3 5 0	3 5 0	3 1 4	3 8 9	2 3 0

5. The fall in price of any mill of Bombay and Ahmedabad in a selling centre have an effect on the prices of other mills in the centre but rise in price does not act so quickly. The attention of the Committee has been drawn to the fact that a big mill in Bombay sold a particular sort of dhuti at Re. 1-13-6 which could not be manufactured then at that rate. This sale had an instantaneous effect in bringing down the general market.

6. At the present moment, some of the Indian mills though they do not work at a profit are working on double shifts only to meet the increased demand within the country. If the protective duty be withdrawn, production at all centres and not in any particular one will automatically go down and double shifts all over India will have to be stopped to bring down the loss to the minimum. The Committee do not believe that production in any centre will increase if the protection is withdrawn in 1933. There cannot be any circumstance which can cause any such increase in the production. The deficiency in these circumstances will have to be met by increased imports from United Kingdom and Japan where the mills at present enjoy a comparative advantage on account of cheap stores and efficient labour. Further, the new duties on machinery and stores have made the position of Indian cotton mill industry still more disadvantageous as compared with foreign mills in spite of the existing protective duties.

7. (i) Information in this regard will be supplied later on. There is no direct service of steamers between East Africa and Calcutta, and the American cotton has also to be brought from Bombay as there is no arrangement of fumigating American cotton in Calcutta and mills in Bengal have to pay extra freight, additional landing charges and Port dues for bringing cotton from Bombay where the mills are in a better position.

(ii) Railway freight to Kusthia from Calcutta and different stations of East Bengal and United Provinces are noted below:—

	Rs.	A.	P.		Rs.	A.	P.
Partabgarh . . .	2	9	2	Comilla	0	8	7
Lucknow Junction . .	3	0	1	Alipur Duar . . .	1	1	11
Dinajpur . . .	0	13	3	Lucknow . . .	3	0	0
Ranchi . . .	1	7	6	Matelli . . .	1	11	0
Barisal . . .	0	9	9	Nowgong . . .	2	3	0
Allahabad Junction .	2	8	10	Delhi Junction . .	3	13	5
Bareilly . . .	3	10	2	Shillong . . .	2	14	11
Dacca . . .	1	6	2	Tezpur . . .	2	0	9
Calcutta . . .	0	8	6	Katihar . . .	0	13	0
Gauhati . . .	1	11	11	Fyzabad . . .	2	11	6
Kashi . . .	2	2	10	Baidyanathdham .	1	3	7
Chittagong . . .	1	12	7	Gaya . . .	1	9	8
Silchar . . .	2	4	4	Agra City . . .	3	11	10

(iv) Steamer freight on cotton piecegoods from Bombay to Calcutta is Rs. 7-8 per ton of 40 c. ft. for piecegoods, and Rs. 2-4 per bale not exceeding 400 lbs. There is a rebate of 10 per cent. on piecegoods and 6 annas per bale.

(v) Steamer freight on cotton piecegoods—

(*a*) Japanese Ports to Calcutta—

Kobe	Rs. 30	per ton.
Tokio	,, 37-8	,, ,,
Yokohama	,, 30	,, ,,

(*b*) From London to Calcutta—Rs. 43-9 per ton.

9. (ii) In the beginning, before Lancashire had captured the field, the total requirements of Bengal were supplied by the Handloom Industry, but as Lancashire came into the market, the Handloom Industry began to manufacture only such cloth of peculiar artistic design and texture which mills could not produce economically. Later on, however, on account of the fact that Indian mills could not supply sufficient quantity of fine yarn, this industry was in a decadent condition and it was only with the advent of the non-Co-operation movement, and intensive propaganda in favour of the use of Khaddar, that handloom industry revived again, but as the

Committee have observed in their written memorandum, the handloom industry cannot compete with the mills even in manufacturing coarse cloth such as khaddar. This industry can effectively be revived if the Indian mills manufacture yarn from 80s to 120s counts and sell them in the market. But it will not be possible for Indian mills to do so unless the import duty on foreign cotton, imposed in September last year, as a revenue measure, is abolished. There had been proposals to start mills to manufacture such fine yarn to sell the same to the Handloom weavers but the Committee do not believe that so long as the duty continues, such a proposition will be sound.

(v) At the present moment Japanese and Indian yarn are mostly used by Handloom weavers for coarser counts and some Lancashire and Japanese yarn for finer counts. In coarser cloth warp from 12½s to 26s are used and in finer sorts from 80s to 120s. The Committee have no idea of proportion in which they are used.

(vi) The import duty on foreign cotton will lead to gradual extinction of Handloom industry as it depends on its artistic texture and design which mills cannot even to-day exactly copy. If the mills in India can manufacture finer counts of yarn profitably, being supported by protective duties, the handloom weavers will get sufficient supply of yarn to keep their looms going on. But if on the other hand the Indian mills cannot profitably manufacture such yarn they will stop manufacturing it and the inevitable result will be the dying out of handloom industry. The handloom industry cannot depend upon the supply of foreign yarn on account of Swadeshi movement.

The imposition of duty on foreign yarn will not therefore hamper the handloom industry. It is evident that if piecegoods of foreign manufacture is taxed, the handloom will be benefitted but only on condition that the supply of yarn from Indian mills is increased.

(vii) Handloom cotton weaving industry has not to suffer much from competition from artificial silk, but silk spinning and weaving which are practically cottage industry of India is suffering very badly from such competition.

11. There is no doubt that a decline in the output of the India mills either generally or in particular lines of goods will have adverse effects on the Indian cultivator of cotton both by reducing the net demand for Indian cotton and by discouraging the growth of long staple cotton. At present Japan is the principal buyer of Indian raw cotton; her predominate position in India's cotton export trade will appear from the following percentage figures for the last 3 years:—

	Per cent.
1928-29	45·3
1929-30	41·9
1930-31	47·2

But of late there has been a tremendous fall in the figures in the total of export of raw cotton to Japan; the total volume of export to Japan during April to June this year has declined to slightly more than 33 per cent. of the total export during the corresponding months in 1930 while the fall in terms of value has been even greater, the total value this year being less than 25 per cent. of the total value of export during these three months of 1930. As a matter of fact, there is every possibility for Japan to take recourse more and more to some other alternative source of supply, and an eventual diversion of the trade in this manner must entail an inevitable loss on the cotton growing interest in India. There is no doubt that in the matter of short staple cotton, India enjoys to a large extent a monopoly of production, but that does not necessarily mean that it would give the Indian cultivators a more dependable market; for, the advantage which might have been accrued to India in this respect has been more than

counteracted by Japan being the only important external market for the Indian short staple cotton. As the Board have themselves pointed out when the parity of American cotton becomes lower, as was the case during the last two seasons, Japan will naturally prefer to draw its supplies of cotton increasingly from other sources. Besides, it would not do to forget that Japan has a much nearer access to the short staple Chinese crop market, and it may often be advantageous to her to import cotton from China. This latter fact of Japan having a large Chinese crop in reserve also suggests that the Indian cultivator of cotton does not realise a fair price for his crop from the Japanese manufacture. The attention of the Tariff Board may, in this connection, be drawn to the following observations made by the Board in paragraph 29 of their Report of 1927: "Imports of American cotton into India are, however, in normal conditions, of small importance and the fact that Japan operates on a very large scale in both markets and has, in addition, the Chinese crop in reserve, undoubtedly enables the Japanese buyers to purchase their raw material on the most advantageous terms—an advantage which is increased by their highly organised system of purchase". The Committee of the Chamber have, however, no detailed facts and figures by which they may substantiate these impressions which, they add, are widely current; but they would point out that even if it be admitted for argument's sake that the Indian cultivator does not get a lower price for cotton exported than for cotton sold in India, there is no doubt that it is in the interest of the cultivators of Indian cotton that a perpetual demand should be maintained for Indian short staple cotton from within the country. This can however be possible only if the output of Indian mills gradually increase to the extent necessary for making Indian cultivator of cotton independent of doubtful export markets. The attention of the Committee has been drawn to a press report that following the trade convention between India and United Kingdom, Lancashire spinners may be induced to give preference to Indian cotton so as to counter the boycott threats which have been recently flung out by the Japanese spinners. The Committee do not believe that there is any possibility, at least, in near future of development taking place in this direction particularly as short staple cotton does not at present suit the requirements of Lancashire cotton industry and also in view of the fact that there has not been so far any serious attempt to adjust the machineries of the Lancashire cotton mills so as to make it possible for spinning yarn from short staple cotton. The Committee would further point out that even if a demand be created for Indian short staple cotton in Lancashire by making necessary adjustments in the machineries, the eventuality can only threaten a new danger to the Indian Cotton Textile Industry, hitherto unthought of, as in such case, Lancashire mills will necessarily take up the manufacture of coarser stuff in respect of which no effective competition is prevalent at present between mills in India and Lancashire. The Committee therefore consider that this offer of Lancashire spinners cannot serve to extenuate the seriousness of the problem from Indian standpoint.

As regards long staple cotton, it is obviously to the advantage both of the Indian mills and of the ryot to increase the area under improved varieties so as to meet the demand of Indian mills in respect of finer yarn, a demand which, as the Committee have shown already in their answers to previous questions, is increasing day by day. It is essential that as the expansion movement in the Indian mills continues, their requirements in respect of long staple cotton should be supplied from within the country. The Committee do not agree with the point of view urged in the note appended to the question under reply that "a stage might be reached when it might prove of doubtful advantage to the Indian cultivators to replace short by long staple cotton". Consumers in India are fast developing a taste for piecegoods made of finer yarn and unless the Indian mills can at an early date manufacture this particular variety of goods in larger quantities, there is every possibility of their being ousted from

abundant supply of long staple cotton. This fact together with what has been said in the foregoing paragraph as to the potential risk of the export market for short staple cotton being ultimately lost leads to the conclusion that the economic prosperity of the Indian cultivator of cotton will in future depend upon whether they can grow long staple cotton in larger quantities than at present. It is no doubt true that climatic conditions in many parts of the country favour at present the growth of short rather than long staple cotton but the Committee strongly believe that those handicaps can be overcome by extensive and well planned schemes of irrigation as has been done in Egypt. They think that the Government have a clear responsibility in this respect and that early steps should be taken to stimulate the cultivation of long staple cotton in India.

12. India scarcely produces any cotton in a big scale above ⅞″ staple. For cotton below ⅞″ the supply is given entirely by Indian cultivators but for cotton between ⅞″ and 1″ the supply comes from within the country and America, and for cotton above 1″ it comes most from East Africa, Egypt and America.

The figures as to what quantity of foreign cotton have been imported into India during the last 5 years are given below:—

Imports of foreign cotton into India (in bales of 392 lbs.).

Year ending 31st August.	East African.	Egyptian.	American.	Peruvian.	Total.
1926-27 .	85,988	3,462	379,120	5,719	474,289
1927-28 .	78,199	2,199	102,910	5,770	188,998
1928-29 .	107,747	1,636	11,719	1,774	122,878
1929-30 .	134,533	12,387	15,889	704	163,513
1930-31 .	179,473	146,947	140,296	1,438	470,392

As it has been stated above that for consumption of foreign cotton, the present machineries are not suitable, but new machineries have to be installed particularly designed for the purpose and even the mills which are running on finer counts have their machineries designed for that purpose, the Indian cultivators will not be prejudicially affected if the import duty on raw cotton is abolished.

13. (*a*) Dhuti, shirtings (bleached and grey), dyed and stripped shirting, etc., almost all sorts of cotton goods.

(*b*) Mill " B " supplies the following information:—

Sort No. 75 Dhuti, 40s warp/60s weft, 44″ × 10 yds.—52 × 52 pick.

Sort No. 117½ Dhuti, 32s warp/40s weft, 48 × 44 pick—44″ × 10 yds.

Sort No. 31 × 31, 32s warp/34s weft, 48 × 40 pick—44″ × 40 yds.

14. Mill " A " says: "Japanese grey Markins, *i.e.*, grey shirtings have been most keenly competiting with Indian cloth of that description and very successfully. During the last four or five years Japan is competing in Dhuties and Sarees, and bleached and dyed shirtings ".

Mill " B " says: " Grey dhuties, grey and bleached shirting, bleached nainsook, etc., in short cotton fabricks (with or without art silk) of all descriptions ".

15. Mill "A" supplies the following informations:—

	1928.	1929.	1930.	1931.	1932. (six months).
	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.	Rs. a. p.
1. Labour . .	1,32,937 2 3	1,83,952 11 6	2,43,709 5 4	3,22,488 13 3	1,70,026 10 9
2. Fuel and power .	23,270 7 3	47,985 7 9	50,320 12 8	56,876 9 3	32,379 3 3
3. Water . .	..	..	..	..	..
4. Stores . .	62,067 10 4	1,10,772 10 3	1,29,541 13 10	1,45,304 11 0	52,465 15 0
5. Repairs . .	70 0 0	100 10 0	4,426 14 6	15,529 0 4	2,777 1 9
6. Supervision and allowance, etc.	60,000 0 0	64,000 0 0	71,000 0 0	65,700 0 0	32,850 0 0
7. Insurance . .	6,985 3 0	6,073 6 3	10,326 4 0	14,236 9 6	12,672 12 3
8. Rent, rates and taxes.	2,337 6 6	2,612 3 9	2,979 11 6	616 10 9	342 11 6
9. Packing . .	..	2,896 3 3	..	..	9,115 9 9
10. Selling expenses.	11,155 10 0	11,156 8 6	14,604 15 0	10,040 7 6	7,500 0 0
11. Other expenses .	4,94,371 8 5	5,97,762 6 4	7,20,230 3 10	9,29,103 8 2	4,85,490 1 0
			Productions.		
Yarn . . lbs.	564,293	708,192	1,140,555	1.730,614	1,063,644
Cloth . . lbs.	707,630	872,516	1,394,026	2,110,225	1,330,928
Cloth . . yds.	3,361,243	4,192,751	6,708,444	9,767,909	6,094,554

16. Mill "B" says: "We calculate our cost by finding out the cost including all charges per loom per day and dividing the same by the average outturn per loom per day and dividing the same by the average outturn per loom per day of a particular sort".

18. Mill "A" says: "Perhaps it is average mixing costs for each count which are wanted.

	1928.	1929.	1930.	1931.	1932.
	As. P.	As. P.	As. P.	As. P.	As. P.
Mixing—					
20s & 30s .	9 2	9 1	6 7	6 0	5 8
36s & 50s .	11 0	11 2	9 10	7 0	6 9

Mill "B" furnishes the following statement:—

"Cost of cotton per lb.—

	As. P.		As. P.
1929	10 1	1931	7 0
1930	6 1½	April, 1932 . . .	5 6."

20. Mill "A" says: "From our past experience it may be said that in Uganda cotton loss percentage is about 15 per cent. and in case of Indian cotton slightly below 20 per cent. In weaving loss percentage is about 5 per cent.".

21. Mill "A" says: "We do not manufacture heavy sized goods. Our size percentage varies between 40 per cent. and 60 per cent.".

22. The cost of production has cheapened owing mainly to the increase in the efficiency of labour particularly in the case of new mills which started with newly recruited raw and therefore inefficient labour but which has gradually reduced its cost of production per lb. owing to increase of production consequent on labour becoming more and more efficient. It is however still true that workmen in Bengal are not so efficient as those of

Ahmedabad where mills are run more cheaply. The Committee understand that as regards spinning department however the efficiency in some of the Bengal mills is as good as Ahmedabad mills. Costs have mainly increased owing to increase in prices of stores due to exchange and import duty on foreign cotton.

23. Mill "A" says as follows:—

"(1) A new duty of 6 pies per pound of cotton comes to nearly 8 pies per lb. on yarn.

(2) *A new duty of 10 per cent. on machineries.*—Taking machineries of our mills of 22,000 spindles of 500 looms valued at 14 lakhs of rupees, duty amounts to Rs. 1,40,000. Taking 5 per cent. depreciation and 9 per cent. interest annually extra charge to the mills is Rs. 19,600. On production of medium counts, the extra cost per lb. of cloth comes to 2·11 pies.

(3) *Stores including dye stuff.*—Extra cost to be incurred by us on consumption of Rs. 1,45,000 worth of goods of 20 per cent. is Rs. 31,000 which works out on per lb. of cloth 3·3 pies.

(4) *Railway freight.*—Raising of freight by eight annas per ton of coal means on an annual consumption of 3,000 tons Rs. 1,500 as additional cost."

Mill "B" supplies the following information:—"We have not actually calculated it, but it will not be less than 7½ per cent. Besides all the disadvantages mentioned, there is another factor which is working as a handicap. Taking advantage of the present Swadeshi feeling of the country, foreign goods are coming to Calcutta stamped just as Indian mill goods are, with those slogans, etc., but without the name of the country of origin and is passed as Swadeshi goods and are being sold like that."

26. The Committee are not aware whether any mill in India has got equipments to manufacture superfine hosiery of yellow tie type but all the mills which have been started to manufacture fine yarn with combing and double roving appliances can easily manufacture Hosiery yarn ordinarily wanted in the market.

27. A mill of 750 looms with 30,000 spindles may be said to be the minimum size for a mill which ought to pay under normal circumstances. It is difficult for smaller mills to run profitably. Competition in India is greatest in counts from 20s to 40s. A mill of 750 looms spinning 20s to 36s should produce about 4,125 pairs of cloth of 10 yards each.

28. Information will be supplied later on.

29. The rates of depreciation allowed by the income-tax rules are 2½ per cent. on buildings, 5 per cent. on machineries, 7½ per cent. on electric installation and drying machinories. The Committee do not consider these charges unreasonable in the case of mills working single shift. But they would like to point out that the present rates of depreciation that are at present allowed on spinning, weaving and electrical machineries do not take into account the fact whether the mill works single shift or double shift. This is, in the opinion of the Committee, very undesirable, for, when 5 per cent. and 7½ per cent. were fixed as the charge for depreciation, it was not contemplated what should be the depreciation if the mills work double shift. The Committee, of course, admit that in such cases the depreciation will not exactly be double, *i.e.*, 10 per cent. and 15 per cent. respectively, but they are definitely of opinion that the rates should be increased after taking into consideration all the relevant factors.

30. Mill "A" supplies the following figures:—

	Stock.			Outstandings.		
	Rs.	A.	P.	Rs.	A.	P.
1928 . . .	4,21,273	0	9	75,991	8	3
1929 . . .	5,89,396	10	9	68,918	0	9
1930 . . .	6,59,673	5	3	56,898	10	9
1931 . . .	9,45,680	9	3	67,778	6	2

Mill "B" supplies the following figures:—

	Stock.			Outstandings.		
	Rs.	A.	P.	Rs.	A.	P.
1927	4,38,810	4	9	1,32,857	15	3
1928	4,41,168	11	3	1,67,002	2	6
1929	6,71,956	8	6	79,040	13	0
1930	6,15,968	6	6	61,720	10	0
1931	9,45,337	9	6	49,713	14	6

31. It is notorious that sufficient facilities are not available for borrowing working capital, particularly in Bengal. The banks and specially the foreign banks very seldom help the mills with working capital. In cases where accommodation is available, the rate usually charged is 1 per cent. above the Imperial Bank rate with a minimum of 7 per cent.; the average rate is about 7½ per cent.

This difficulty about the shortage of working capital is particularly felt at mufassil centres such as at Dacca where it is very difficult to get bank facilities, and the mills there have to depend upon money borrowed from private party and deposits obtained from the public. The rate of interest which is generally payable in these cases varies between 7½ per cent. and 9 per cent.

32. The mills in Bengal are not in every case managed by Managing Agents; some of the mills are managed by Managing Directors. The Managing Agents of a particular mill who have supplied information state that they do not charge any office allowance or expenses.

The Managing Directors of another mill state that besides fixed allowance of Rs. 1,000 per month they get 5 per cent. of the net profits which amounted in 1928 to Rs. 3,773-6, in 1929 to Rs. 11,424-9-3, in 1930 to Rs. 17,892-7 and in 1931 to Rs. 4,897-8.

They consider that these charges are very low.

33. In the case of the two mills which have supplied figures, no other allowance or commission is charged by the Managing Agents or the Managing Directors.

34. The information required are appended. In the cases of those mills which are managed by Managing Directors there is no agreement with the latter who work under the authority of the resolutions of the Directors. Copy of the resolution will be forwarded later on.

35. The Committee consider that there is more or less a considerable scope for improvement in all directions particularly with regard to those mills which are newly started. The operatives being recruited from agricultural population having no experience of factory work are naturally not quite so efficient as those in the mills established for a number of years. This difficulty is experienced to a greater extent by the mufassil mills of Bengal who have to employ labour recruited locally. Secondly, if adequate financial facilities by way of advance from banks at low rate of interest had been available, the mills could have stocked cotton at low market, as also cotton of first picking. Thirdly, opinions differ as to whether automatic looms should be introduced in the mills in Bengal. Time has not probably come when such looms can be installed in the Bengal mills. For, the degree of efficiency in the labourers that is required to handle such looms is sadly lacking in Bengal as has been mentioned above. Experiments may however be carried on in the Bombay and Ahmedabad mills in this direction. Fourthly the Committee believe that there is scope for improvements in the design of the spinning machineries; such improved machineries have not so far as the Committee have been able to ascertain been generally adopted in the mills of Bengal.

As regards system of management, mills in Bengal, as the Committee have already pointed out can be divided into two classes; those which are

managed by the Managing Directors and those which are managed by the Managing Agents. The question of comparative efficiency or inefficiency of the two systems is a highly debateable point. For quick development, management by Managing Agents is undoubtedly the better. The present position of Indian industry especially the Textile industry of Bombay and Bengal, Tea industry of Bengal and Assam, and Coal industry of Bengal and Bihar, is due to the Managing Agency system. The pooling of the sources of the various companies under one management is undoubtedly an advantage, while the services rendered by the Managing Agents in regard to the provision of block and working capital can also not be ignored, but with all these advantages the Managing Agency system is expensive and in time it digenerates into inefficiency. This would not have happened if new blood could be brought in, without injurying the reasonable interest of the Managing Agents who had built up the industry. Further the contracts which some of the Managing Agents have with the mills give them a perpetual life, a disadvantage not shared by the system of management by the Managing Directors who generally work under the authority of resolutions of the Board of Directors and are easily amenable to the control of the shareholders. The latter system again is not free from defects as it leads to routine work and there is always a lack of initiative in the system. The Committee considers in this circumstance that the system of management by Managing Agents is preferable than that by the Managing Directors provided however suitable modifications are made in the system, as also in the terms of contract entered into by the mills with those Agents. The Committee also consider that the firms of Managing Agents should have substantial stake in the concerns which they manage, so that they may identify themselves more closely with the companies under their management. Lastly Managing Agents should never be selling agents of the companies which they manage.

In the system of sale as at present in vogue there are too many middlemen. It not only automatically raises the price but the desired touch between the manufacturer and the consumer is also lost. This has become necessary as these middlemen sell on credit which the Mill does not and cannot. One of the mills in Bengal have introduced a new system of sale which is being tried for the last nine months with success. The system has almost eliminated middlemen and has established direct touch between the manufacturers and the consumers. The problem may also be solved by providing suitable banking facilities to the traders, making them less dependent on the advances obtained from middlemen.

As it has been stated before the Bengal mills do scarcely obtain Bank facilities for running their mills and therefore have to borrow at high rates of interests.

(ii) (*a*) So far as the Committee have been able to ascertain the piece work system prevails in almost all the departments of the weaving section and some of the departments of the spinning section of the old mills, but doubts have been expressed in certain quarters as to whether with the increase in production consequent on the introduction of piece work system in the departments in which it has not so long been introduced, quality will also be maintained. Again in places where new mills are started, piece work system do not enable the workers to earn their living wages. Piece work system should therefore be adopted only if the operatives acquire the requisite degree of efficiency and the system should be introduced when the workers become more and more efficient. It will then result in an increase in production with the maintenance of quality, and higher wages will also be ensured to the operatives.

Length of spinning frames should be increased.

(*b*) Weavers in India are most unwilling to look to more looms than two, even though they can manage more. The Board are certainly aware of the experience of the Bombay mills which tried to introduce this system but failed on account of stern opposition of the operatives who resorted

to strike. Weavers in the new mills in Bengal being raw and ever-changing body, are, however, not so efficient as those in the old mills and many of these new weavers cannot even look after two looms.

(*c*) Number of spindles in the preparatory departments should be increased.

(*d*) The views of the Committee on the question of the adoption of automatic looms and other improved types of machineries have been stated above.

(iii) Most of the mill operatives are almost without any education, though, of late, it is observed that men from educated classes are coming in as operatives in the mill. Unless the operatives have some general education, it is difficult to give them technical education. In all mill centres, technical schools to impart technical education to the operatives should be started, as this will make labour more efficient.

(iv) & (v) The Committee consider that it would have been better for the mill industry if particular groups of mills had standardised in particular types of cloth. It would have relieved them of the necessity of keeping stocks of all kinds of cotton and facilitate work. Only one or two kinds of mixing would have gone through the whole mill making it easier for labour to handle and the officers to supervise the work. Quality of production would have improved in as much as the operatives would have specialised only in one class of goods. But almost all the mills of India are designed to produce different sorts of cloth. It would require a great deal of reshuffling to make it possible for mills to specialise in different sorts of cloth. This may be possible if all the mills in one centre come under the management of one corporation. In this connection it ought also to be mentioned that it is doubtful whether management by such a corporation will succeed. Experience in Lancashire is to the contrary. But so far as Bengal mills are concerned, the Committee would like to point out that the fact that unlike in Bombay and Ahmedabad, mills in this province are scattered over a large area renders it very difficult to make any such scheme a success.

(vii) Before taking anything for payment of commission to the Managing Agents or for distribution of profits, depreciation ought to be allowed, because it is really a part of expenses.

(viii) Yes, in cases where the capital is not represented in the assets, it should be written down.

(xi) In order to bring a better relation between mill management and the labour employed there should be provided facilities in every mill for mutual exchange of views. In order to make it possible a standing committee representing officers, labour employed and the management should be in existence in every mill and should meet at least once a fortnight. Facilities should also be provided for occasional meetings of superior Officers and operatives in the social functions, amusements and sporting grounds. Some of the mills are actually trying their utmost to improve the labour condition by giving them better houses, comfort in working, their amusement, etc., with provision for Provident Fund, etc., etc.

(xii) Mill "A" says: "There is no corruption in purchase of stores in regard to our mill. We are taking such steps as do not enable the staff of the mills to know from where samples are coming.

In our case, money is never invested with any private party or Company. Surplus funds are always kept in Banks or invested in short term Government securities.

Greatest effort is made to maintain the standard of our cloth. The malpractice of deteriorating the standard quality is never adopted in this mill.

As regards method of sale we have adopted successfully a system which brings in a closer touch between the manufacturers and consumers".

(xiii) Of the three mills managed by Bengalees in Bengal, two have technical experts among members managing those mills. It is desirable

that a technical man, better a mechanical engineer, be a member of the firm of Managing Agents. Such a man should have a wider outlook than what is generally found in ordinary technical experts.

36. The Committee of the Chamber are of opinion that the possibilities of abuses of the powers of Managing Agents such as have been suggested in Answer to Question 35 should be checked by making necessary provisions in the company law. The Committee also suggest that the powers of the Auditors should be increased and their continuity in office should not be dependent upon the wishes of the Directors.

38. Depreciation of Japanese Exchange since the Report of Indian Tariff Board, 1927, calls for a reconsideration of their conclusion arrived at page 67 and Government ought to take steps to stop such unfair competition. The Committee have noted the action which the Government of India have recently taken in accordance with the recommendations of the Board to cope with the menace, but they are definitely of opinion that the amount of duty which has been imposed on the import of non-British piecegoods is not effectively adequate.

39. These questions will be discussed by the representatives of the Chamber when they appear before the Tariff Board.

43. (i) & (ii) Artificial silk is competing very seriously with silk industry of Bengal which is in a dying state. In order to revive this dying industry there should be an import duty both on artificial silk and goods manufactured wholly or partly out of artificial silk. Goods manufactured out of artificial silk is also competing with cotton goods.

44. Protection should be given against imported cotton goods from any country irrespective of the source of origin. There should not be any preferential treatment accorded to the United Kingdom as indicated above.

45. In addition to the import duty against all foreign piecegoods, the present import duty on machineries and stores should be abolished. Increase of railway freight by 15 per cent. on coal should be reduced while the standing grievances of the Indian industry regarding the general freight question should also be remedied. The present income-tax, by way of super-tax and sur-tax, is a heavy burden on the industry. This burden should be reduced so far as possible.

The Committee also take this opportunity of drawing the attention of the Board to the inconveniences suffered by the cotton mill industry caused by (1) "wrong" mixtures of inferior cotton with staple cotton, (2) deliberate damping, (3) false packing. The Committee are aware that some action has been taken by the Government to cope with these evils, but these have, as the Board are aware, failed miserably. The Committee cannot too much stress the importance of some effective measures being taken immediately to remove these handicaps.

Enclosure.

Copy of the Resolution of the Board of Directors of the Dhakeswari Cotton Mills, Ltd., appointing Babu Rajani Mohan Basak, Babu Surja Kumar Basu and Babu Akhil Bandhu Guha as the Managing Directors of the Company.

(*Vide* Answers to Question 34.)

1. Resolved that the following Draft of Agreement between the Dhakeswari Cotton Mills, Ltd., and Managing Directors Babu Rajani Mohan Basak, Babu Surja Kumar Basu and Babu Akhilbandhu Guha be adopted—

"Articles of Agreement made this day......................................one thousand nine hundred and between the Dhakeswari Cotton Mills, Ltd., a Company duly incorporated under the Indian Companies Act VII of 1913 and having their Registered Office at 70, Patuatuly, Dacca (hereinafter called the said Company), on the one part, and (1) Babu Akhilbandhu

Guha, (2) Babu Surja Kumar Basu and (3) Babu Rajani Mohan Basak (hereinafter called the said Managing Directors) on the other part.

Whereas the said Managing Directors have organised this Company, they shall be the first Managing Directors of the said Company. Now these presents witness and it is hereby mutually agreed by and between these parties hereto, namely, the said Company on behalf of themselves, their successors and assignees and the said Managing Directors, themselves, their successors and assignees in the manner following:—

(1) That in pursuance of this agreement, the said three gentlemen are and shall continue to be and to act as the Managing Directors of the said Company, and that in consideration of the services rendered and to be rendered by the said Managing Directors in promoting the interest of the said company and for consolidation and stability and general management of the said Company and in the interests thereof, it is hereby expressly provided and declared that the appointment of the said three gentlemen to act as Managing Directors of the said Company shall not at any time hereafter be revoked or cancelled till the expiry of ten years from the date of first allotment of shares, that is to say, from the 28th January, 1922, unless and until the Managing Directors or any of them should voluntarily resign their office for any reason they think proper giving the Board of Directors six months' notice of their intended resignation—provided that the said Managing Directors or any one of them may be superseded by the Board of Directors at any time on proof of fraud, dishonestly and gross management against them or him. The Resolution regarding the suspension of Managing Directors or any one of them, to be effective, must be passed in a meeting of the Board attended by at least three-fourths of the total number of Directors excluding the Managing Directors carried by the members present representing two-thirds of the total number of Directors in the Board excluding the Managing Directors. Provided further that it will be open to the Managing Director or Managing Directors so suspended to apply to the Court to set aside the order of suspension as not warranted by evidence. The management of the Company, when the Managing Directors are so suspended, may be entrusted to any person or persons, appointed by the Board of Directors and all papers of the Company shall be under the control of the Board of Directors unless the Court being moved by the Managing Directors so suspended shall otherwise direct.

(2) That the remuneration of the Managing Director shall be:—

(*a*) A commission of 5% (five per cent.) on the yearly profits of the company after deducting therefrom all working expenses including interest on debentures or other loans and such sum as may be placed to depreciation not exceeding 5% (five per cent.) on machineries and $2\frac{1}{2}$% (two and half per cent.) on buildings but before anything is taken to Reserve or other special accounts or paid by way of income-tax or super-tax or any such other public dues which may hereafter be imposed.

(*b*) A monthly allowance of Rs. 1,000 (Rupees one thousand only) payable from the first allotment of the shares of the said Company.

(3) That the said allowance and commission shall be exclusive of all kinds of expenditure which will or may be incurred for the working and management of the said company or any other item of expenditure which may be incurred for or on behalf of or in the interest of the said company and that the said Managing Directors shall be entitled to be paid all Travelling and other necessary expenses incurred by them for or in connection with the business of the said company.

(4) That of the said commission and the allowance—Babu Akhilbandhu Guha will be entitled to ....%, Babu Surja Kumar Basu to ....% and Babu Rajani Mohan Basak to ....%.

(5) That it shall be lawful for the said Managing Directors or any one of them to assign with the sanction of the Board of Directors the whole or any portion of their or his earnings as aforesaid without thereby in any way affecting their appointment as Managing Directors as aforesaid. But the Managing Directors shall, like other Directors be subject to the disabilities mentioned in the Article No. 68 of the Articles of Association of the Company.

(6) That the said Managing Directors or any of them shall be entitled to charge the said Company reasonable rate of interest to be determined by the Directors, if they, when occasion arises, themselves or himself lend money on the written request made by the Board of Directors of the said Company for the management of its business.

(7) That in case of disagreement between the several Managing Directors it will ordinarily be decided according to the opinion of the majority amongst themselves, but if it so happens that there is equality of votes, the question affecting the interest of the Company should be referred to the Board of Directors for decision.

(8) That in the case of retirement of one or more of the Managing Directors either due to death or any other cause whatsoever, the remaining Managing Director or Managing Directors—shall continue to act and receive the entire remuneration, unless and until, if necessary, any other person or persons from the Board have been appointed by the Board of Directors to the place or places vacated.

(9) That the Managing Directors shall have on behalf of the Company the following powers:—

(*a*) To bleach, wash, and dye yarn and cloths, to paint cloths, to give Kapash, to press cotton, yarn, cloth and other merchandise into Bales, to make dressing materials, to supply clean cotton to hand-spinners and sized warp to handloom weavers.

(*b*) To buy cotton and other fabrics and stores and to spin the same and also to buy yarn and weave or knit and to work the produce of the mills or the yarn purchased and to sell the material so manufactured and also to sell articles not required or found useless for the purpose of the Company.

(*c*) To delegate with the sanction of the Board of Directors all or any of their powers to such Managers, Agents or other persons as they may think fit and to have power to grant to such Managers, Agents or other delegates such power of attorney as the said Managing Directors may, subject to the approval of the Board of Directors, deem expedient and revoke such power at pleasure.

(*d*) To get movable and immovable properties of the said company insured against loss or by fire or otherwise, subject to the approval of the Board of Directors and to pay premiums.

(*e*) To appoint lawyers, secretaries, agents, sub-agents, brokers, clerks, mechanics, workmen and other officers and servants with such powers and duties and upon such terms as to duration of office, remuneration or otherwise as they may think fit and to pay such commission or brokerage as they may think proper as also to discharge them provided however that all departmental Head Officers such as (1) Carding and Spinning Master, (2) Weaving Master, (3) Dying Master, (4) Engineer including the Manager will be nominated by the Managing Directors, and appointed with the sanction of the Board of Directors. The Managing Directors, however, will have power to suspend or dismiss any of the Departmental Heads including the Manager and report the circumstances to the Board for approval. Provided further that none closely related to any Director including the Managing Directors shall be appointed

with the staff of the mills or as contractor for supply of any stores or materials without the sanction of the Board of Directors.

(*f*) To receive monies on deposit with or without interest thereon for the purposes of the company. The interest in such cases, if it exceed $4\frac{1}{2}\%$ (four and half per cent.) will have to be sanctioned by the Board of Directors.

(*g*) To borrow or raise money with the sanction of the Board of Directors by Bonds, Deposit Receipts or by opening current account with or without securities or by such other means as may be deemed expedient and secure the repayment thereof in such manner as may be thought fit.

(*h*) To make and sign all such contracts on behalf of the company with the sanction of the Board of Directors.

(*i*) To draw, make, accept, receive, endorse, discount, execute, issue, negotiate and sell Promisory Notes, Bills of Exchange, Bills of Lading, Hundies, Cheques, Government Promissory Notes and other Government Papers, postal remittances addressed to Company, Warrants, Debentures and other Instruments with or without securities as shall be necessary and proper or expedient for the carrying on of the business of the Company.

(*j*) To purchase or acquire on hire lands, buildings, machineries and Power Plants or other movable or immovable properties for the purposes of the company with the sanction of the Board of Directors and to give earnest money and to make advances for the said purpose under direction of the Board of Directors.

(*k*) To commence, institute, conduct, defend, compromise, refer to arbitration or abandon legal or other proceedings, claims and disputes in which the company is interested. But the Managing Directors will require the sanction of the Board of Directors in cases of compromise, giving up claims and referring to arbitration.

(*l*) Generally to do and perform all such other acts and things as may be incidental or conducive to the attainment of any of the objects of the company.

(*m*) To retain in their own hands or to pay such Bankers as the Directors may direct all monies belonging to the Company. To grant receipts for all monies paid to the Company and such receipts shall be effectual discharge for monies therein stated to have been received.

(*n*) To receive and give receipts for advances against the goods of the Company and draw Cheques and Hundies against the money of the Company.

(*o*) To retain, reimburse and pay themselves out of the money of the Company all preliminary charges and expenses legal or otherwise of and incidental to the formation of the Company and all costs and expenses of providing and maintaining offices for the company and salaries of clerks, servants, agents, workmen and all monies expended by them on behalf of the Company, but all sums due to the said Managing Directors for commission or otherwise will have to be done with the sanction of the Board of Directors.

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(3) *Letter No. 10/12/405, dated the 29th September, 1932, from the Dhakeswari Cotton Mills, Limited, Dacca, Bengal, to the Indian Tariff Board.*

I have the honour to submit per separate book-post 6 copies each of the following answers to your questions which remained unreplied at the time of my giving evidence before you on the 13th instant at Calcutta. As regards the comparative rates of wages between Calcutta and this side mills,

I beg to state that I could not as yet secure one from any of the mills there. I, however, give a copy of rates prevailing in our mills only.

Enclosure No. 1.

16. *The works costs at selected mills per unit of each typical kind of cloth mentioned in reply to Question 13 (b) for each of the past five years.*

1931-32.

	411	833
1. Labour inclusive of bonus and all allowances	37·00	49·00
2. Fuel and power	4·00	4·20
3. Water	...	...
4. Stores consumed	14·80	17·05
5. Repairs and maintenance	3·47	3·47
6. Supervision and office allowance and establishment	6·67	7·37
7. Insurance	1·08	1·08
8. Rent, rates and taxes (excluding income and super-tax)	·02	·02
9. Packing (included in Nos. 4 and 1)	...	...
10. Selling expenses [showing separately expenses of sales through (*a*) agents and (*b*) shops]	2·50	2·89
11. Other expenses incurred	2·69	2·69
	72·23	87·77

Enclosure No. 2.

27. *An Estimate for an economical minimum size of Cotton Mill in India consisting of 30,000 spindles and 750 looms.*

Names of items.	Cost of 1928. Rs.	Cost of 1932. Rs.
Land 100 bighas	1,25,000	1,25,000
Building including offices, godown, bungalow and labourers' quarters	12,20,000	9,15,000*
	13,45,000	10,40,000
Spinning machinery, complete	8,10,614	7,29,553
Looms with preparatories	4,19,370	3,77,433
Dyeing machinery	51,970	46,773
Engine power plant Electric, etc.	2,97,584	2,67,826
Humidifier	37,000	37,000
Water-works	35,000	31,500
	16,51,538	14,90,085
Add 10 per cent. duty	...	1,45,308
		16,35,393

* This figure is taken only approximately. The basis of our doing so is on the fact that prices for materials as well as labour have gone down considerably which we take as 25 per cent.

Enclosure No. 3.

Railway and Steamer freights.

1. Rates of freights on cotton received into mills for its own consumption—

From Mombasa to Bombay 16 shillings per ton of 40 c.ft. less 10 per cent.

From Bombay to Calcutta Rs. 14 per ton of 40 c.ft. less 10 per cent

From Tuticorin to Calcutta Rs. 10 per ton of 40 c.ft.

From Cochin to Calcutta Rs. 12 per ton of 40 c.ft.

From Madras to Calcutta Rs. 9-8 per ton of 50 c.ft. less 10 per cent

From Calcutta to Narayanganj Rs. 17-14 per ton.

2. Rates of freights on finished cloths to following stations:—

	Per ton. Rs.	A.
Mymensingh	8	15
Barisal	14	10
Chittagong	20	12
Comilla	12	15
Noakhali	14	12
Calcutta	18	5
Rangpur	21	0
Dinajpur	24	11
Jalpaiguri	30	0
Gauhati	41	14
Dibrugarh	43	12
Tezpur	60	3
Ranchi	59	1

Enclosure No. 4.

No. of operatives.	Designation.	Rate of pay per month.
	ENGINEERING DEPARTMENT.	
	Motor Launch and Barge Boat.	
		Rs.
1	Serang	40
1	Driver	50
1	Soocany	22-8
3	Crew Men	2 @ 20 1 @ 15
Total . 6	Total	167-8

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
	Daily Labour-gang.	
1	Mason	24
1	Mason Helper	15
1	Carpenter	25
4	Daily Labourers	2 @ 15 2 @ 12
Total . 7	Total	118
	Serang-gang.	
1	Serang	40
1	Head Mistry	50
6	Fitters	2 @ 10 1 @ 20 1 @ 18 1 @ 17 1 @ 12
4	Turners	1 @ 37 1 @ 25 1 @ 21 1 @ 9
1	Black-smith	40
1	Hammer Man	20
4	Moulders	2 @ 35 1 @ 21 1 @ 15
1	Furnace Man	13
1	Rivet Man	32
1	Rivet Boy	7
1	Tin-smith	24
1	Carpenter	25
1	Painter	23
Total . 24	Total	537
	ELECTRIC DEPARTMENT.	
1	Head Mistry	28 with a bonus of Rs. 2 only per month.
4	Switch Board Attendants	1 @ 22 1 @ 20 1 @ 18 1 @ 15
2	Pump House Attendants	1 @ 8 1 @ 12
1	Cleaner	16
1	Exhaust Fan Attendant	14
2	Drivers	1 @ 20 1 @ 24
Total . 11	Total	199

No. of operatives.	Designation.	Rate of pay per month. Rs.
	ENGINEERING DEPARTMENT.	
1	Mistry	28
8	Firemen	3 @ 24 2 @ 25 1 @ 26 2 @ 28.
6	Boiler Helpers	2 @ 21 1 @ 20 3 @ 18
1	Driver	45
10	Oilers	6 @ 21 3 @ 22 1 @ 26
6	Coalmen	2 @ 22 4 @ 20
4	Humidifier Attendants . . .	12 each.
Total . 36	Total .	783
	GENERAL AND MISCELLANEOUS.	
1	Storekeeper	50
1	Store Helper	23
1	Store Durwan	18
1	General Sardar	50
1	Mali	18
4	Assistant Gardeners	1 @ 14 1 @ 0-7 per day. 2 @ 0-6 per day.
4	Sweepers	2 @ 16 1 @ 13 1 @ 14
1	Sweeper (Pair)	27
2	Methars (Pairs)	1 @ 28 1 @ 26
1	Methar (single)	15
1	Ferry Man	25 for three months only.
Total . 18	Total .	388-10

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
	Blowroom Mixing Department.	
1	Babu	24
1	Mixing Sardar	18
4	Mixing Coolies	16 each.
1	Waste Picker	12
10	Waste Pickers—	
	First class waste	0-1-3 per seer.
	Second class waste	0-0-9 per seer.
Total . 17		
	Blowroom (A).	
1	Jobber	22
1	Assistant Jobber	22
6	Machine Tenters	16 each.
1	Machine Tenter	17
1	Machine Tenter	15
1	Sweeper	16
2	Willow Tenters	16 each.
1	Willow Tenter	15
1	Hopper Tenter	15
Total . 15		
	Blowroom (B).	
1	Jobber	30
1	Machine Tenter	17
4	Machine Tenters	16 each.
1	Hop Tenter	16
1	Oiler	15
1	Sweeper	14
Total . 9		
	Carding Department (A).	
1	Jobber	60
1	Assistant Jobber	24
1	Card Grinder	18
2	Flat Grinders	16 each.
1	Stripper	22
3	Strippers	18 each.
8	Can Minders	16 each.
1	Fly Gatherer	18
1	Oiler	18
1	Lap Carrier	17
Total . 20		

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
	CARDING DEPARTMENT (B).	
1	Assitant Jobber	20
1	Stripper	18
2	Strippers	17 each.
1	Stripper	15
1	Flat Grinder	19
1	Lap Carrier	16
1	Sweeper	15
1	Oiler	15
4	Can Minders	15 each.
2	Can Minders	16 each.
Total . 15		
	DRAWING FRAMES (A).	
1	Jobber	22
1	Oiler	15
2	Sweepers	15 each.
14	Drawers	25 each.
Total . 18		
	DRAWING FRAMES (B).	
1	Assistant Jobber	16
1	Oiler	18
1	Sweeper	15
16	Drawers	14 each.
Total . 19		
	SPEED FRAMES (A).	
1	Jobber	60
1	Assistant Jobber	22
1	Line Mistry	14
2	Section Mistries	1 @ 21 1 @ 16
1	Fitter	22
1	Cobbler	25
1	Wrapping Boy	15
2	Oilers	15
2	Empty Bobbin Coolies	14 each.
2	Bobbin Coolies	15 each.
1	Sweeper	16
15	Doffers	12 each.
1	Doffer	13
8	Back Tenters	12 each.
5	Slubbers	0-1-3 per hank with 50 % bonus.
7	Intermediate	0-1-9 per hank with 50 % bonus.
22	Rovers	0-1-4 per hank with 50 % bonus.
Total . 73		

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
1	Assistant Jobber	31
1	Line Mistry	16
2	Section Mistries	1 @ 18 1 @ 14
2	Oilers	1 @ 13 1 @ 16
2	Bobbin Coolies	15 each.
1	Bobbin Cooly	14
1	Bobbin Cooly	13
1	Sweeper	16
1	Cobbler	15
17	Doffers	16 @ 12 1 @ 13
4	Back Tenters	3 @ 12 1 @ 14
5	Slubbers	0-1-3 per hank with 50 % bonus.
10	Intermediates	0-1-9 per hank with 50 % bonus.
24	Rovers	0-1-4 per hank with 50 % bonus.
Total 72		

No. of operatives.	Designation.	Rate of pay per month.
1	Head Mistry	50
2	Line Mistries	30 each.
1	Fitter	23
1	Roller Coverer	45
1	Section Mistry	30
5	Section Mistries	20 each.
1	Cobbler	16
2	Tabular Bander	12 each.
1	Bag Weigher	18
1	Carpenter	16
2	Sweepers	12 each.
2	Oilers	1 @ 15 1 @ 16
3	Bobbin Coolies	15 each.
2	Bobbin Coolies	12 each.
2	Doffers	18 each.
3	Doffers	17 each.
7	Doffers	16 each.
3	Doffers	15 each.
1	Piecer	12
54	Piecers	12 each.
58	Piecers	10 each.
2	Spindle Banders	18 each.
Total 155		

No. of operatives	Designation.	Rate of pay per month.
		Rs.
	Spinning Department B. Shift.	
2	Line Mistries	30 each.
6	Section Mistries	20 each.
2	Oilers	1 @ 16 1 @ 15
4	Bobbin Carriers	15 each.
1	Fitter	23
1	Cobbler	16
2	Spindle Banders	16 each.
2	Sweepers	1 @ 16 1 @ 14
2	Tabular Banders	12 each.
1	Empty Bobbin Carrier	10
2	Doffers	16 each.
17	Doffers	15 each.
4	Doffers	14 each.
4	Doffers	12 each.
38	Piecers	12 each.
64	Piecers	10 each.
11	Piecers	7 each.
Total 163		
	Reeling and Doubling Department.	
1	Mistry	20
8	Doffers	10
9	Doffers—	
	2/20s	0-10 } per 100 lbs.
	2/40s	1 } per 100 lbs.
12	Reelers—	
	(Cross) 2/40s	1-9 } per 100 doffs.
	(Straight) 2/20s	4-11 } per 100 doffs.
	Winding A. Shift.	
1	Bobbin Marker	12
1	Akborali	17
2	Bobbin Coolies	14 each.
2	Sweepers	12 each.
Total 6		
18	Coloured Winders 2/42″	2-8 } per 100 lbs.
24	Grey Winders—	
	20″	0-14 } per 100 lbs.
	40″, 37″	1-4 } per 100 lbs.
Total 42		

No. of operatives.	Designation.	Rate of pay per month.
	WINDING B. SHIFT.	
		Rs.
1	Oiler	17
1	Weft Man	16
1	Bobbin Marker	12
3	Coolies	2 @ 14 1 @ 13
15	Coloured Winders 2/42″	2-8 per 100 lbs.
21	Grey Winders 20″	0-14 per 100 lbs.
20	Grey Winders 40″, 26″	1-4 per 100 lbs.
Total . 62		
	SIZING A. SHIFT.	
3	Sizers	1 @ 55 1 @ 48 1 @ 25
1	Fitter	45
6	Back Sizers	1 @ 21 1 @ 16 2 @ 14 1 @ 15 1 @ 13
5	Beam Carriers	1 @ 23 2 @ 16 1 @ 17 1 @ 18
1	Cleaner	17
2	Size Mixing Coolies	1 @ 16 1 @ 14
	SIZING B. SHIFT.	
4	Sizers	2 @ 25 1 @ 30 1 @ 27
5	Back Sizers	3 @ 14 1 @ 15 1 @ 17
1	Size Mixing Cooly	18
5	Beam Coolies	2 @ 16 1 @ 20 1 @ 22 1 @ 15
Total . 15		
	DRAWING AND REACHING DEPARTMENT.	
1	Mistry	30
1	Assistant Mistry	22
1	Reed Repairer	15
20	Drawers	0-1-3 per 1,000 ends with 12½ % bonus.
23	Drawers	0-0-9 per 1,000 ends with 12½ % bonus.

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
	Weaving and Jobbers.	
1	Head Jobber	75
24	Permanent Jobbers 10 per cent. of the amount of production in the Line.	
6	Sub-Jobbers 10 per cent. of the amount of production in the Line.	
4	Fitters	1 @ 26 2 @ 20 1 @ 15
1	Weft Man	18
2	Carpenters	1 @ 30 1 @ 20
4	Oilers	1 @ 15 1 @ 13 1 @ 11 1 @ 12
2	Cobblers	1 @ 15 1 @ 16
3	Sweepers	2 @ 12 1 @ 15
1	Cooly	13
	Checking Section.	
1	Mistry	20
4	Helpers	1 @ 15 3 @ 14
1	Patti Distributer	17
4	Cloth Carriers	1 @ 16 2 @ 14 1 @ 13
6	Enumerators	1 @ 13 5 @ 14
6	Checkers	@ 500 ps. per Re. 1.
4	Dressers	@ 32 ps. per Re. 1.
Total . 26 ps.		
	Calendering Section.	
1	Mistry	20
10	Calender Men	4 @ 16 1 @ 15 2 @ 13 1 @ 19 1 @ 14 1 @ 20
9	Stitchers	1 @ 18 1 @ 13 2 @ 12 1 @ 15 2 @ 13 1 @ 14 1 @ 11
Total . 20		

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
	Folding Section.	
1	Mistry	20
2	Sorters	1 @ 32 1 @ 22
2	Weighmen	1 @ 14 1 @ 13
2	Stampers	1 @ 20 1 @ 16
25	Bundlers	9 @ 13 11 @ 12 2 @ 18 3 @ 14
2	Press Men	1 @ 18 1 @ 13
3	Coolies	1 @ 18 2 @ 12
6	Machine Folders	As. 1-6, 2-6, 1-10, per 100 ps.
23	Hand Folders	As. 3, 3-6, 6, 4, per 100 ps.
Total . 66		
	Baling Department.	
2	Babus	1 @ 50 1 @ 25
2	Mistries	1 @ 25 1 @ 20
13	Baling Coolies	2 @ 21 4 @ 12 3 @ 11 2 @ 13 1 @ 16 1 @ 15
Total . 17		
	Dyeing Department.	
1	Mistry	33 with a bonus of Rs. 6 per month.
1	Carpenter	22
1	Cobbler	13
37	Dyeing Operatives	19 @ 13 4 @ 21 4 @ 19 3 @ 14 7 @ 15
Total . 40		

No. of operatives.	Designation.	Rate of pay per month.
		Rs.
	Warping Department.	
10	Warpers—	
	Grey warpers	0-1-3 } per 1,000 ends.
	2/42s	0-2-0 }

Weavers.

A. Shift Weavers—348.

B. Shift Weavers—335.

Sort No.	Dimension.	Reed.	Pick.	Rate per pair.
				As. P.
866	44 × 10	52	52	1 10½
888	44 × 10	52	52	2 0
822	44 × 10	48	48	1 6
833	44 × 10	52	52	1 7½
830	44 × 10	52	52	1 7½
820	44 × 10	48	48	1 6
811	44 × 10	44	44	1 4½
810	44 × 10	44	44	1 4½
855	44 × 10	48	48	1 9
836	46 × 10	52	52	1 8
328	41 × 9½	52	48	1 5½
834	45 × 10	52	52	1 7½
877	45 × 11	52	52	2 0¾
8637	44 × 10	52	52	2 0
8587	44 × 10	48	48	1 10½
835	44 × 10	52	60	1 10½
858	44 × 10	48	48	1 10½
868	44 × 10	52	52	1 10½
899	45 × 11	52	52	2 2
933	44 × 10	52	52	1 7
930	44 × 10	52	52	1 7
955	44 × 10	48	48	1 8½
966	44 × 10	52	52	1 10
922	44 × 10	48	48	1 5
920	44 × 10	48	48	1 5
355	41 × 9½	48	48	1 8
215	39 × 9	48	48	1 4
611	44 × 10	44	44	1 4
610	44 × 10	44	44	1 4
829	44 × 9	52	52	1 6
43	44 × 10	52	60	2 0
521	44 × 10	44	44	1 3
520	44 × 10	44	44	1 3

Sort No.	Dimension.	Reed.	Pick.	Rate per pair. As. P.
444	44×10	40	40	1 4½
544	44×10	44	44	1 6
518	44×8	44	44	1 0
519	44×9	44	44	1 1½
410	44×10	40	40	1 1½
411	44×10	40	40	1 1½
418	44×8	44	44	0 11
419	44×9	40	40	1 0½
409	41×9½	40	40	1 0½
405	39×9	40	40	1 0
404	35×8	40	40	0 10½
403	31×7	40	40	0 9½
407	39×9	40	40	1 0
400	41×9½	40	40	1 0½
115	39×9	40	40	1 0
311	44×10	36	36	1 0
310	44×10	36	36	1 0
528	44×8	44	44	1 0
125	39×9	44	44	1 1
120	39×9	44	44	1 1
420	42×10	40	40	1 1½
110	39×9	40	40	1 0
517	44×9	40	40	1 1½
968	44×10	44	44	2 0
45	40 yds.	56	60	7 0 (Twill).
25	40 yds.	56	56	6 0 (Longcloth).
23	40 yds.	48	48	4 0 (Longcloth).
35	24 yds.	56	56	4 0 (Sushi).
75	40 yds.	60	64	7 0 (Longcloth).
777	44×10	48	48	1 10
53	40 yds.	56	52	8 0 (Twill).
55	4 yds.	60	60	9 0 (Twill).
26	40 yds.	52	52	7 10½ (Twill).
333	44×10	36	36	1 1½
344	44×10	36	36	1 3
355	41×9½	48	48	1 8
958	44×10	48	48	1 10
95	40 yds.	60	60	7 6 (Twill).
19	38 yds.	44	44	3 7 (Markin).
429	42×9	40	40	1 0
430	42×9	40	40	1 0
859	44×10	48	48	1 10
1844	44×10	48	50	1 6½
1422	44×10	40	42	1 2
85	40 yds.	56	68	7 0
1322	44×10	36	38	1 0½
1898	44×10	48	50	1 9½
1488	44×10	40	42	1 5

Sort No.	Dimension.	Reed.	Pick.	Rate per pair.
				As. P.
1388	44 x 10	36	38	1 3½
905	39 x 9	48	48	1 4
904	35 x 8	48	48	1 2
903	31 x 7	48	48	1 1
306	39 x 9	36	36	0 11
211	37 x 9	36	36	0 11
46	24 yds.	56	60	4 6 (Than).
24	24 yds.	48	48	3 0 (Than).
36	24 yds.	56	56	4 0 (Than).
8696	46 x 11	52	52	2 2
29	38 yds.	40	40	3 7 (Markin).
301	40 x 10	36	36	0 11½
302	40 x 10	36	36	0 11½
309	40 x 9½	36	36	0 11½
300	40 x 9½	36	36	0 11½
308	41½ x 10	36	36	1 0
306	41½ x 10	36	36	1 0
205	37 x 9	36	36	0 10
200	37 x 9	36	36	0 10
609	40 x 9½	44	42	1 2½
644	44 x 10	48	48	1 8½
605	39 x 9	44	42	1 2
505	37 x 9	44	42	1 1½
621	42 x 10	44	42	1 3
622	44 x 10	48	48	1 5
8358	44 x 10	52	60	2 6
8359	45 x 52	52	60	2 6
8778	45 x 11	52	60	2 9

Southern India Chamber of Commerce, Madras.

Letter No. G.-656, dated the 9th June, 1932.

I am directed to communicate the following views of my Committee on the subject of extension of protection to the Indian Textile Industry:—

Since a policy of protection to the Indian cotton mills was inaugurated in 1930 Indian cotton mills have made considerable progress both in the production of yarn and of piecegoods. The production of yarn increased from 833 million lbs., in 1929-30 to about 960 million lbs. in 1931-32, and the production of cloth increased from 2,419 million yards in 1929-30 to about 2,950 million yards in 1931-32. Omitting the year 1928-29, which was an exceptional year of set-back, the progress was remarkable and even unparalled. The number of working mills has also increased and more mills aro reported to be under construction in various parts of the country. Successful attempts at spinning finer counts and weaving superior cloth have also been evidenced during the period by an increased production in those varieties and an increased import of Egyptian, American and Kenya cotton. The claim of the Indian Cotton Textile Industry to protection has not only been established by the progress it made during the period of protection, but also by the resistance it offered to imports of cotton yarn and cloth. Imports of cotton yarn decreased from 44 million lbs. in 1929-30

to 32 million lbs. in 1931-32 and imports of cloth decreased from 1919 million yards to 775 million yards in 1931-32. This decrease is more than can be accounted for as the natural effect of general depression. During the same period imports of long staple cotton for the manufacture of fine yarn and cloth increased from 24,000 tons in 1929-30 to 79,000 tons in 1931-32. The regime of protection therefore did exactly coincide with the accelerated progress on all sides made by the Indian cotton mills, and of course if same rate of progress should be maintained the same conditions of tariff protection ought to continue.

Examining in greater detail the varieties of cloth produced locally and imported from foreign countries, it would be found that the Indian mills have made remarkable progress in dhoties, cambrics, lawns, shirtings and sheetings, while in plain grey cloth the position of Japan in the Indian market is still strong. This is all the more deplorable as in certain kinds like shirtings the specific duty of 4⅜ annas per lb. has already been operating instead of the *ad valorem* duty of 31¼ per cent. as that was found to yield more. It should, however, be remembered that the exact effect of the Indian surcharge imposed in September, 1932, could not have begun to be felt by Japanese manufacturers as yet. At any rate, my committee are disposed to think that the present rate of duty of 31¼ per cent. *ad valorem* with the alternative specific rates of 4⅜ annas per lb. ought to be allowed to continue as a protective duty for a definite period, say for seven years. My Committee are similarly of opinion that it would not be advisable to impose any higher duty on dyed and printed goods but that the present duty of 31¼ per cent. should be continued on a protective basis. On the other hand, my Committee feel that in regard to white and bleached piecegoods the present duty is inadequate and that the Indian mills cannot replace foreign imports to any considerable extent, notwithstanding the vigorous swadeshi propaganda, unless the duty is raised by at least 5 per cent. *ad valorem* to 36¼ per cent.

One disappointing feature of the regime of protection is the rapid headway made by artificial silk and mixtures of cotton and artificial silk together accounting for an increase from 57 million yards in 1929-30 to 85 million yards in 1931-32. These goods are found successfully to replace cotton goods at the present low prices, and my Committee would suggest the equalisation of the duties on those two kinds of goods at or above 50 per cent. *ad valorem*.

The Indian cotton hosiery industry is run mostly in small factories and cottages and if the steady flow of cotton hosiery from foreign countries could be checked by an increased duty it would bring relief to many poor homes of cottage workers. The present duty of 25 per cent. *ad valorem* has not been able to check imports; the reduction in the imports of the last two years from 1·1 million pairs of socks and stockings in 1929-30 to ·6 million pairs in 1931-32, and from 2·9 million dozen underwear in 1929-30 to 1·3 million dozens in 1931-32 must be attributed to the general depression and fall in trade. My committee therefore suggest that the duty on cotton hosiery should be raised to 50 per cent. *ad valorem*.

As regards the duty on yarn my Committee are of opinion that sufficient competition has been set up between Indian mills in counts of 60s and below so that the present duty of 6¼ per cent. may be continued without handicapping the handloom industry; but in the case of yarn above 60s it would be advisable to remove the duty altogether or, subject to administrative convenience, refund the duty on the export of cloth made of such yarn on the handlooms, as the handloom weavers are in bad plight and require all possible relief from taxation.

As regards the question of continuing the tariff preference to British piecegoods I am directed to say that my Committee are opposed to any scheme of preferential tariff being adopted any longer. What preference is given to British goods is done in mitigation of protection granted to the indigenous industry, which at the same time causes unnecessary loss of revenue.

Neither can the Indian commercial community accept the principle of Imperial preference in the Indian Fiscal system at the present stage of her constitutional development. There is no point in examining this important problem piecemeal while it is intended to be taken as a whole at the forthcoming Ottawa Conference.

In conclusion I am directed to invite the attention of the Tariff Board to the several handicaps which prevent the Indian Textile Industry from taking full advantage of the protective duties. There is for instance the restriction of the import of American cotton to the port of Bombay which is highly prejudicial to the development of fine spinning and weaving in other centres. It would therefore be desirable to allow import of American cotton at other important ports like Madras, Tuticorin, Calicut and Calcutta, and make fumigation arrangements in those places, if necessary. There is besides the new duty of 10 per cent. *ad valorem* on machinery, dyes and raw cotton, and my Committee urge that the duty on the first two articles ought to be romoved at the earliest moment possible. Lastly, railway freight is the chief besetting problem in the growth of indigenous industries and the Tariff Board would be well advised in investigating a few flagrant instances of exorbitant freight and recommend the levelling down of the railway freight in India for yarn, cloth and coal, so as not to give undue advantage to imported goods in any part of the country. My Committee are of opinion that a reduction generally by 25 per cent. of the present rates of freight would be sufficient to give a distinct stimulus to the internal trade in Indian yarn and piecegoods.

The Chamber's representatives will be prepared to give oral evidence, if required.

The Punjab Chamber of Commerce, Delhi.

Letter No. 639/2/550/32, dated the 11th July, 1932.

We are directed to refer to the Tariff Board's Press Communiqué dated the 11th April, 1932, in connection with the enquiry into the question of granting protection to the Indian Cotton Textile Industry and to submit for the Board's consideration the views of our Committee as follows:—

"Towards the close of the Twentios the Government of India realised that the Indian Toxtile Industry was in a very precarious condition and needed immodiate protection. They therefore set up a Tariff Board to investigate the matter and following the recommendations of the Board gave a meagre and temporary shelter to the industry against foreign competition. What with this protection and the great wave of Swadeshism in the country the Indian Textile Industry progressed satisfactorily for some time. The industry followed the recommendations of the Tariff Board and concentrated its efforts on the production of better and finer goods. This will be evident from the Statement attached herewith showing the production of coarse and finer yarn in one Delhi mill alone year by year since 1928. Since the imposition of this protective duty the Government of India have twice increased the duty on foreign piecegoods for revenue purposes. This would indeed have been of very great help to the Indian industry were it not for the fact that the advantages arising out of the increase in import duty were counter-balanced by the imposition of the duty on raw cotton, on machinery, on stores and dye-stuffs; by the increase in the railway freight, on coal, in the rates of income-tax and super-tax, in the postal and telegraphic charges and by the disadvantages of an uncertain exchange. India is not immune from the effects of the world depression. She has got her own troubles as well. Being primarily an agricultural country, the fall in the prices of the agricultural produce has very adversely affected the purchasing power of the Indian people at large. And the Textile Industry, therefore, again finds itself now in the throes of a worso crisis than what it had to face a few years ago. We are enclosing herewith a statement showing the prices of cotton and cloth year by year which is self explanatory.

What with the depreciated Yen Exchange and the incredibly cheap labour in Japan, the Japanese competition here is as keen to-day as ever and it is an open secret that Japanese goods are available in the country at prices which are below the cost of production in India and which defy all competition.

There are only two ways to meet this unfair competition:—

(1) The first is the reduction in the cost of Indian cloth which will enable the producer to market his goods at a competitive price. The Indian producer has effected a great economy in the cost of production during the last few years and we do not think that any appreciable decrease in the cost can safely be expected now. Wages, which constitute the major part of the cost of production, cannot under any circumstances be reduced in India. The Bombay mills tried to standardise wages with the result that they had to face an unconscionably long strike. The workmen simply refuse to hear of any reduction in wages. It may be pointed out here that with the general fall in prices the labourer has got a corresponding increase in his real wages, which is estimated to be about 32 per cent. It is therefore surprising that in spite of this indirect increase in wages the Government of India have thought of still further burdening the producer by proposing to increase the scale of compensation under the Workmen's Compensation Act.

(2) The second alternative is to afford the industry adequate protection. Considering that the most fierce competition that Indian mills have to face is from Japan and having regard to the fact that no amount of increase in the import duty will check that country from dumping her goods into India it appears advisable to have something in the nature of an anti-dumping legislation to prevent the unfair competition of Japanese goods. While on this subject we cannot refrain from saying that fine spinning and weaving in India is in its infancy and need great care and protection against foreign inroads. We have no objection to give preference to British goods against other countries but not at the cost of the Indian producer.

To sum up, we want sufficient protection with anti-dumping legislation and preference to British goods, if necessary, against other countries only."

THE DELHI CLOTH AND GENERAL MILLS CO., LTD.

Statement showing the quantity of coarse and fine yarn manufactured year by year since 1928.

Year.	Below 28s.	Over 28s.	Total.
1928-29	9,860,602	38,081	9,898,683
1929-30	10,566,897	52,892	10,619,789
1930-31	12,391,646	203,715	12,595,361
1931-32	14,432,209	829,448	15,261,657 (approximately)

Statement showing the prices of Indian Cloth and Indian and American Lyallpur Cotton from 1927 to 1932 with percentage of fall in the rate.

Quantity.	Weight.	30th June 1927.	Actual Cotton Price.	Balance Rate.	30th June 1928.	30th June 1929.	30th June 1930.	30th June 1931.	17th June 1932.	Actual Cotton Price.	Balance Rate.	Percentage of fall in rate.
	lbs. oz.	Rs. a.	Rs. a. p.	Rs. a. p.	Rs. a.	Rs. a. p.	Rs. a. p.	Rs. a.	Rs. a.	Rs. a. p.	Rs. a. p.	
INDIAN CLOTH.												
Dhoti No. 3600 . .	3 3	2 13	1 4 3	1 8 9	2 13	2 11 6	2 6 6	1 14	1 14	0 11 3	1 2 9	24
„ 5010 . .	2 8	2 11	1 4 6	1 6 6	2 11	2 10 0	2 4 6	1 14	1 14	0 11 3	1 2 9	18
Sheeting No. 3624 .	8 7	6 12	3 4 0	3 8 0	6 14	6 10 0	5 14 0	4 6	4 6	1 10 0	2 12 0	21
„ 621 . .	6 10	6 14	2 12 0	4 2 0	6 4	6 6 0	5 6 0	4 3	4 5	1 6 0	2 15 0	29
COTTON.												
Desi Cotton (Indian) .	..	31 8	..	..	31 8	28 8 0	20 4 0	12 0	15 8	..	..	50·7
American Cotton (Lyallpur).	..	41 12	..	..	42 0	38 0 0	30 6 0	20 0	24 0	..	..	40·7

The Gwalior Chamber of Commerce, Lashkar.

Letter No. 112 of 1989, dated the 13th July, 1932.

I am directed by my Committee of the Gwalior Chamber of Commerce to submit the views of my Committee to the Tariff Board, upon the above subject.

The Government of India, in the year 1930, had granted protection to the Cotton Textile Industry by enhancing the import duty on foreign piecegoods to the level of Rs. 15 per cent. on British and 20 per cent. on non-British manufacture and subsequently the said duties had been further enhanced by 10 per cent.

My Committee regret to say that the protection which was granted to the industry in 1930 had been in effect appreciably neutralised by the burden of fresh taxations on the industry in September, 1931. The most important items being (1) an import duty of 6 pies per lb. on raw cotton and (2) 10 per cent. on machinery and dyes, which in the opinion of my Committee are absolutely contravened to the principles laid down by the Fiscal Commission and accepted by the Government of India.

Thus if the cost of production in the sea port towns and industrial towns in British India, where every facility to the industry is available has increased owing to the fresh burden of taxation to the industry, the Tariff Board can easily imagine, to what extent the cost of production in Indian States, where instead of any facility a dozen and odd difficulties exist, should have grown up. Unskilled local labour, importation of skilled labour, supervision staff, maintenance of spare labour, transportation charges of long staple cotton, coal and machinery and Railway freight, etc., etc., increase the cost of production in Indian States in Textile Industry more than that of sea port town and industrial towns in British India.

Labour condition in Japan is definitely superior to that of India, the Japanese weaver on average attend 6 looms and gives efficiency as high as 95 per cent. while the Indian labour generally attends only 2 looms and his loom efficiency is about 80 per cent. only. It is therefore clear that Japanese labour produces 570 units while Indian labour 160 units only. The influences of religious, social customs, political status and education and culture considerably assists the Japanese labour to increase his efficiency which for Indian labour in India, is utterly impossible.

As a good lot of articles required in the mill industry are manufactured in Japan itself, the cost of erecting a mill in Japan is much less than that of erecting one of the same size in India. Besides every accessibility of machinery is undoubtedly a great convenience. Over and above this every facility for the development of industry is granted by the Japanese Government. But what has aggravated the situation in this country is the existing exchange rate of yen which is helping Japanese to flood Indian market at the Indian's cost, and this fact, my Committee feels, cannot be brushed aside. This fact nearly neutralise the effect of $31\frac{1}{4}$ per cent. import duty imposed by the Government of India on their goods.

There has been a great decrease in the import of cloth from the foreign countries from 1929-30 to 1931-32 but the credit of this phenomenal fall in imports is due not so much to the imposition of import duty but due to strong movement of boycott of foreign cloth and to the swadeshi feeling in the country.

In the opinion of my Committee, the competition between the Indian made and British made goods is no less keen than the one between India and Japan. To take one instance only in 1927 when 475,113,000 yds. of Dhoties were imported from the United Kingdom, India produced only 614,199,000 yds., but in 1931 when the import fell to 28,244,000 yds., production in India increased to 947,392,000 yds. It will therefore be quite clear that United Kingdom is also a keen competitor of India. It is therefore

imperative that an adequate protection should be granted to the Indian Textile Industry not only against non-British goods but against British goods also.

Hosiery Industry in India, in my Committee's opinion, is in infancy but consumption of Hosiery goods is fast increasing from day to day owing to the refined taste of the people. If an adequate protection is granted, my Committee feels, this industry will have very bright future.

My committee is of opinion that if the half-way and halting measures had not been adopted in the very beginning, things would have told a differenet tale. However, it is not even now too late to mend the matters and my committee hopes that the Tariff Board will kindly consider the matter with utmost care and sympathy and recommend to the Government of India a suitable measure which within a short period will make India stand on her own legs as far as cloth is concerned.

Marwari Chamber of Commerce, Calcutta.

(1) *Letter dated the 13th July 1932.*

I am directed to forward herewith six copies of replies of the Marwari Chamber of Commerce to the questionnaire issued by the Tariff Board relating to the Enquiry into the Cotton Textile Industry.

Enclosure.

Replies to the questionnaire relating to the Tariff Board Enquiry into the Cotton Textile Industry.

1. (i) Since 1929 the output of bleached goods of Indian mills has increased.

(ii) Such was the case till 1929 but since then the districts which were being served by Calcutta have begun to take their requirements direct from the manufacturing centres. To that extent the imports of Calcutta have declined. Since 1929 the Indian Cotton Textile Industry has made rapid advance and owing to the heavy duties the qualities which were the monopoly of the foreign countries have been taken possession of by the Indian mills, *e.g.*, for Drills, White and Coloured, Sheeting, etc. The Indian mills have also taken up the manufacture of finer class of Grey and Bleached goods.

3. My Chamber does not agree with the suggestion that the existence of the internal competition keeps the prices down. There is no internal competition to that extent. Our experience is that whenever duties are increased, the prices of indigenous goods rise in sympathy with the higher price of imported goods. Moreover, it has been found that the manufacturers of the same centre producing similar cloth quote the same price. The prices are generally governed by demand but not calculated on the basis of the price of cotton.

12. The present duty on imported cotton certainly helps tho Indian cultivator as it encourages him to grow long staple cotton which is an important requirement in producing finer count of yarn.

38. So far as Japan is concerned, exchange depreciation resulted in large orders being placed for July, August and September shipments but the manufacturers have increased their prices recently and there is now very little chance of new business boing booked. Moreover there is no reason to suppose that the present exchange depreciation is not a passing phase.

39. On principle my Chamber is in favour of protection being granted to indigenous industries against unfair competition of foreign countries but the protection should not be such as to mean hardship to the people, in other words, to the consumers. The protection, which the Indian Textile Industry now enjoys, does however spell hardship to the consumers by raising

their cost too high. In view of the ruling prices of raw materials my chamber consider the present rates of duties to be excessively high. It is a matter of regret that in spite of the duties and the natural advantages such as easy availability of raw materials in the country, freedom from expenses of importing them from foreign countries, cheap labour, extensive market at hand, etc., the industriatists of the country have failed to improve their system of management so as to bring down their prices to a reasonable level and compete successfully with the foreign countries.

My Chamber is therefore definitely of opinion that the rates of duty should by no means be increased in shape or form but every endeavour should be made to lower the same for the protection of the interests of the consumers: specially in view of the economic depression by which they have been hit very hard.

40. My Chamber agrees with Mr. Hardy that the administration of specific duties on cotton piecegoods involve many difficulties and the chamber is therefore of opinion that duty should be levied on invoice value.

42. The present tariff definition of plain Grey goods require modification so as to mean really plain Grey goods without any touch of colour except the heading.

43. There is hardly any competition in respect of piecegoods made wholly or partly of artificial silk and any further protection is not needed.

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(2) *Letter dated the 14th September, 1932, from the Marwari Chamber of Commerce, Calcutta.*

As promised to the Chairman, Tariff Board, I have the pleasure to send you herewith six copies of the statement of market prices for different Japanese qualities here as well as in Japan during June and September, 1932. It will appear from the statement that prices in Japan had been very high long before the present tariff was imposed, making business impossible even with a depreciated exchange. I have given you the current market prices in Calcutta, and calculating the yen prices at the rate of exchange prevailing at the time, you will find that the disparity is too much to permit any business being booked, even if the former duty is taken into account.

In this connection I have to point out that the general principle and system of business is to cover exchange as soon as the business is booked, and if there is any exceptional case of speculating with the exchange rate, it should not be taken into consideration to come to a data. As most of the Japanese business for the current year was booked prior to June, the buyers had to cover their exchange above 125, and as such the additional protection given recently is grossly unreasonable, and more so when it covers the business already booked.

Anent to the question of Japanese competition with the Indian mills, we have to reiterate that in the opinion of my Chamber the Japanese goods compete more with Lancashire than with the Indian products. As a matter of fact there is not a single quality of Grey shirtings of 38″, 42″ or 44″ running in our market, or any quality of Japanese dhuties, containing warp or weft below 30s. It is now an established fact that in spite of Mr. Hardy's observations that the major portion of Lancashire goods are of finer counts that Indian mills cannot produce, the reduced supply of Lancashire goods has been replaced by increased production of Indian mills. It is also well known in the trade that Lancashire Manufacturers have been advised by the Trade Commissioner to go in for coarse grades to suit the poor masses of India. As a matter of fact, some of Japanese qualities, particularly Japanese finishing are being imitated by Lancashire and are being offered at competitive prices.

It is obviously unfair to suggest that Japanese goods are competing with Indian goods. If the theory on indirect competition is developed to such an extent as is done by Mr. Hardy in connection with Japanese

goods, every piece of Lancashire goods cannot but be a competitor to Indian goods. Thus, if the idea is to protect the Indian mills, will it be achieved by having a high tariff against Japanese goods and a preferential duty against the real competitor of the Indian mills?

What actually takes place in our daily business is that Japanese cloth is bought generally as substitute for high priced Lancashire goods, and only occasionally, as supplement to Indian production when the Indian mills raise their prices of cloth out of proportion to the price of cotton, or refuse to sell freely for one reason or other.

Further to our reply to Question No. 3 and to our evidence on the point that my Chamber does not agree with the suggestion that internal competition keeps the prices down, we have to refer to the figures given in the *Bombay Labour Gazette,* June number, 1932, and to the statistics given in the September issue of the Indo-Japanese Trade Bulletin showing the Index Numbers of Cotton Manufactures and of Raw Cotton. It will be obvious from those figures that while the price of cotton declined by nearly 36 per cent., the price of cloth should have declined by about 18 per cent. since the cost of raw cotton takes up 50 to 60 per cent. of the value of the cloth, but actually it declined only about 7 per cent. In other words, internal competition did not help to reduce the consumer's burden.

I shall be obliged if this statemont is taken as a part of our evidence.

Article.	Chop.	Weight.	Dimension.	June (av)	August 20th—		September 7th—	
				Japan c.i.f	Japan c.i.f	June Calcutta.	Japan c.i.f.	Calcutta.
				Yen.	Yen.	Rs. a.	Yen.	Rs. a. p.
Grey Shirting	Lady	10½	44″ × 38 Yds.	4·80	6·25	9 4	6·75	9 5 0
	Peaches . . .	8	Do.	4·50	5·90	8 8	6·25	8 7 0
	Floweranchor . .	7·8	43½″ × 38 ,,	4·20	5·60	8 5	5·90	8 4 0
	Hosha . . .	10	38″ × 38 ,,	4·00	5·55	8 8	6·00	8 12 0
	Milkmaid . . .	6½	44″ × 38 ,,	3·30	4·65	7 0	4·75	6 6 0
Grey Dhooty	Flower and Horsehoof .	1¾	44″ × 2-10 ,,	1·06	1·45	1 15	1·55	2 1 0
	(1191) Eagle Crown .	,,	Do.	1·05	1·45	1 14	1·50	2 1 0
	(185) Camel . .	,,	Do.	1·04	1·40	1 13	1·45	1 15 0
White Shirting Indian Prince . .	(1990) . . .	..	35″ × 40 yds.	6·20	7·20	10 4	8·20	10 12 0
	(2020) . . .	..	34″ × 40 ,,	5·45	6·50	9 0	7·10	9 8 0
White Nainsook Bell Pigeon . .	(2929) . . .	..	28″ × 18 ,,	1·485	1·775	2 7	2·00	2 9 6
	(4848) . . .	..	42″ × 20 ,,	2·30	2·65	4 0	3·00	4 1 6
	(4949) . . .	..	44″ × 30 ,,	2·42	2·75	4 3	3·20	4 4 0
White Mulls	K. S. O. . . .	..	36″ × 20 ,,	1·75	2·15	3 0	3·00	3 1 0
White Jacconet	K. K. K. K. . .	..	42″ × 20 ,,	3·60	3·90	6 4	4·25	6 6 0
Printed Jeans	Ganesh . . .	..	28″ × 30 ,,	3·20	3·75	5 8	4·15	5 3 0

		June.			
		Highest.	Lowest.	20th August.	7th September.
Exchange	T. T. on Japan . .	119	103	88½	90
Cotton	New York (Oct.) . .	5·18	5·79	7·55	8·92
	Broach (Apl.-May) .	164	177	223	267

Madras Chamber of Commerce, Madras.

Letter dated the 15th July, 1932.

I beg to acknowledge receipt of your letter No. 228, dated the 13th June, 1932, forwarding a questionnaire in connection with the enquiry into the Indian Cotton Textile Industry, which has been duly considered by my Committee.

I am directed to inform you that the Madras Chamber of Commerce has not sufficient direct acquaintance with the subjects dealt with in the questionnaire which is mainly restricted to technical details concerning the Indian Mill Industry, to enable it to supply the detailed evidence required. The Chamber has already placed its views before you on the subject of tariffs on imported piecegoods in its letter dated the 20th May, 1932, and would now only desire to emphasise its previous representations on the subject of Japanese competition in the textile industry.

Since the Chamber's letter dated the 20th May, 1932, the position in regard to the imports into India of Japanese piecegoods and yarn has grown appreciably worse and the recent depreciation of the Japanese yen has seriously intensified existing difficulties.

The price at which the products of Japanese mills are now placed upon the Indian market constitutes a grave menace both to the import trade in British manufactured piecegoods and yarn and the Chamber believes also to the Indian Textile Industry. This Chamber is of opinion that unless heavy additional import duties are levied on Japanese piecegoods and yarn to counteract the depreciation of Japanese currency and the dumping on the Indian market of goods of Japanese manufacture at prices which appear to have little real relation to the cost of production, the position as regards British piecegoods and yarn will still further deteriorate.

My Chamber therefore urge upon the Tariff Board the necessity for some very early action being taken to counteract the effects of Japanese pol[illegible]

The Bengal Chamber of Commerce, Calcutta.

(1) *Memo. dated the 25th May, 1932.*

Resolution No. 341-T. (150), dated the 9th April, 1932, by the Government of India, Department of Commerce, explains the circumstances leading up to the reference which has been made to the Tariff Board to examine certain questions. It will be convenient, for the purpose of this note, to set out here the questions so referred to the Board. They are:—

(1) Whether the claim of the Indian Cotton Textile Industry to protection has been established,

(2) If the claim is found to be established, in what form protection should be given and to what extent,

(3) If it is proposed that protection should be given by means of import duties—

(a) whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere, and

(b) what rates of duty are recommended in respect of—

(i) cotton piecegoods,

(ii) piecegoods made wholly or partly of artificial silk, and

(iii) cotton twist and yarn, according as they are manufactured—

(A) in the United Kingdom,

(B) elsewhere.

The Board is requested to consider how its recommendations will affect the handloom weaving industry. Firms or persons interested who desire that their views should be considered by the Tariff Board are informed that they should address their representations to the Secretary to the Board. In a press communiqué dated the 11th April the Board asks that these should be sent so as to reach them not later than 25 May; it is added that, on receipt of the representations, the Board will issue as early as possible a questionnaire setting out the points on which detailed information will be required. The Chamber desires to ask that copies of this questionnaire when prepared should be forwarded to them for examination and with a view to their submitting a detailed expression of opinion.

2. It should be remarked that, in their Resolution referring the matter to the Tariff Board, the Government of India draw attention to the important point that the rates of import duty that were imposed on cotton piecegoods under the Cotton Textile Industry (Protection) Act, 1930, have since been increased in two successive Finance Acts, and are now levied at a rate substantially higher than the legislature found to be necessary to give temporary shelter to the indigenous industry. And the Government of India point out, further, that they have decided to discuss, at the forthcoming Imperial Conference at Ottawa the question whether Great Britain and India should enter into a trade agreement embodying a preferential tariff regime so dsigned as to benefit the trade of both countries.

3. Before proceeding to refer to details, the Chamber wishes to draw attention to an important point in this connection. They regard the outcome of the discussion at Ottawa as of such importance that they do not think that the present enquiry by the Tariff Board can usefully be completed until after the Conference has reported. Anything which the Board may recommend, on the very important portion of the reference which bears on the question of a lower rate for goods of British manufacture than for other goods, must obviously be conditioned by the results of the Conference: and for this reason the Chamber thinks that the Tariff Board will find it difficult to reach final conclusions until the Ottawa Conference has reported.

4. The Chamber does not exaggerate when they say that the import trade in piecegoods from the United Kingdom is now threatened with extinction, and it cannot be too strongly emphasised that this trade to a large extent in no way competes with the trade of the Indian mills, either in piecegoods or in yarns. It is an incontrovertible fact that, so far as Indian mills are concerned, the competition is with Japan, and not with Lancashire. This point was made in the evidence submitted by the Piecegoods Sub-Committee of the Chamber to the Tariff Board in 1926. "Lancashire cloths do not compete directly," they said, "with the production of the Indian mills. The latter have the monopoly of the coarse grades, whereas Lancashire specialises in the finer counts. In our opinion further protection would increase the cost to the consumer without materially assisting Bombay mills in capturing part of Lancashire's trade in the finer qualities which owing to various factors (climate, labour, raw material and equipment) cannot be produced in India". The Chamber desires now to press that this point should be kept in view when the Tariff Board make their new enquiry. A loosening of the high tariff imposed on British made goods would be not only to the advantage of the import trade in these, but also to the advantage of the Indian consumer. It would give him in many ranges of goods the article he wants, at a price that is not forced up by a tariff which is meant to be protective but which in fact is not protective in these instances for the reason that the competition which the Indian mills have to face lies in other goods and in another direction. For this reason any measures which may be proposed for the protection of the Indian mills should be so designed as not to react in any way on British piecegoods. It is perhaps hardly necessary for the Chamber to invite a reference to the Government of India's views in this regard, as expressed by them at the time when the Cotton Textile Industry (Protection) Act was passing through the legislature in 1930. Sir George Rainy explained in

the Legislative Assembly, on 13th March in that year, that unless the duty on piecegoods imported from certain countries was raised to 20 per cent., the protection given would not be fully effective. As one of the reasons for applying to goods of British manufacture, a lower rate of duty, namely 15 per cent., he pointed out that in the Government's view nothing in excess of that rate was needed by way of protection, experience having sufficiently shown that this was the case. In these circumstances, as he said, the burden imposed upon the consumer by an all-round duty of 20 per cent. would be out of all proportion to the benefit to the manufacturer, for it would raise the cost to the consumer of enormous quantities of goods that were not in effective competition with Indian made goods. The same argument holds good to-day.

5. The following table shows the percentage shares in the total quantities of cotton piecegoods imported into India:—

	United Kinghom.	Japan.	Other Couutries.
1913-14	97·1	·3	2·6
1922-23	91·2	6·8	2·0
1923-24	88·8	8·2	3·0
1924-25	88·5	8·5	3·0
1925-26	82·3	13·9	3·8
1926-27	82·0	13·6	4·4
1927-28	78·2	16·4	5·4
1928-29	75·2	18·4	6·4
1929-30	65·0	29·3	5·7
1930-31	58·8	36·1	5·1

The following table similarly shows the percentage shares in the total quantities of cotton twist and yarn imported into India:—

	United Kingdom.	Japan.	China (including Hongkong).
1913-14	86	2	...
1922-23	52	45	...
1923-24	59	46	...
1924-25	37	57	...
1925-26	31	65	...
1926-27	41	54	2
1927-28	39	32	25
1928-29	53	17	26
1929-30	46	25	24
1930-31	35	24	40

It is understood that a large proportion of the imports from China represent the manufacture of Japanese-owned factories in that country.

6. The figures quoted above are taken from the "Review of the Trade of India for 1930-31" and corresponding figures for 1931-32 have not yet been published in precisely the form given, but they will be available to the Tariff Board when the Board comes to make their enquiry, and it is desirable that the Board should pay particular attention to them. Meantime the following percentages are based on figures taken from the March, 1932

issue of the Accounts relating to the Sea-borne Trade and Navigation of British India with regard to the values of the imports of greys, whites and coloured printed or dyed goods, and they are instructive:—

	United Kingdom.			Japan.		
	1929-30.	1930-31.	1931-32.	1929-30.	1930-31.	1931-32.
Greys	56·2	40·9	24·5	42·5	57·9	73·7
Whites	90·5	84·2	75·4	2·4	8·2	17·4
Coloured	62·7	65·7	56·4	22·7	21·1	32·2
Percentage of total of the three kinds .	67·4	62·9	54·7	25·7	29·8	38·1

7. The above figures have of course nothing whatever to do with the question of competition with the Indian mills, for they relate solely to the percentages of cotton manufactures imported. The first table given in paragraph 5 shows quite clearly how seriously the United Kingdom's percentage of piecegoods has decreased since 1926, when the Tariff Board investigated the causes of the depression in the Indian Cotton Mill Industry. The fact that the United Kingdom's share of the trade declined from over 80 per cent. to under 60 per cent. in the short space of four years—when the measures for the protection of the Indian industry were required, not against her, but against Japan—is sufficient to carry conviction that the same rate of protection is not required against the competition of goods manufactured in the United Kingdom as against that of goods manufactured elsewhere. This conviction is emphasised by the fact that as shown by the table in paragraph 6, the United Kingdom's share of the import trade has further steadily declined, while the percentage of Japan's imports has consistently increased in proportion as the United Kingdom's has dwindled. The fact that the Indian mills have to compete almost entirely with Japan—a competition which is rendered much more severe by reason of the present depreciation of the yen—and not with the United Kingdom, is sufficient proof that, whatever may be the position as regards Japan, protection is not required against manufactures from the United Kingdom. In the circumstances the maintenance of anything higher than a revenue duty represents an unnecessary and unjustifiable burden on the consumer.

8. As has been stated above, the Chamber proposes to submit a detailed expression of views on receipt of the questionnaire to be issued by the Board.

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(2) *Letter No. 2339-1932, dated the 20th July, 1932.*

I have the honour to acknowledge the receipt of your letter No. 288, dated the 13th June, 1932, forwarding a copy of the questionnaire prepared by the Tariff Board in connection with their enquiry into the Indian Cotton Textile Industry and to send you herewith an expression of the views of the Piecegoods Sub-Committee of the Chamber with regard to certain of the matters dealt with.

2. The Sub-Committee have carefully considered the questionnaire, which appears to a large extent to call for particulars of such a nature as could only be within the knowledgo of those actually engaged in the production side of the textile industry. While that is so, the Sub-Committee propose to deal with certain of the questions, although the enquiries which they have made have been hampered by the dearth of readily available and up-to-date statistical materials; in these circumstances it is difficult to gauge with any degree of accuracy the position of the competition in the various classes of goods.

3. The Sub-Committee would, however, before dealing categorically with the questions which it is proposed to answer, bring to the notice of the Tariff Board a point which they have not previously dealt with as bearing on the contention that the same rate of protection is not required against the competition of goods manufactured in the United Kingdom as against that of goods manufactured in Japan. It is clear, the Sub-Committee consider, from the figures which were given in the Chamber's Memorandum of 25th May 1932, that whereas Japan's competition originally began with the Indian mills and was concerned with Lancashire to only a small extent, the competition is now definitely concerned with both. As additional and continued protection is demanded by and conceded to, the Indian mills in respect of the lower qualities which form their main production, it is but natural to expect that Japan's efforts will be more and more concentrated on the finer qualities and on completely ousting Lancashire—her only real competitor in regard to imported goods—from any portion of India's trade. It is not difficult to foresee the probable eventual result should Japan succeeded in eliminating all possible competition from this great market, and in establishing a complete control over prices: for it has to be remembered that, for any years to come the Indian mills will be unable to satisfy the Indian demand *in toto*.

4. To proceed now to a consideration of the questions contained in the questionnaire, it is proposed for the sake of clarity to reproduce in full the terms of the particular question which it is intended to answer and immediately following to record the Sub-Committee's reply thereto:—

Question 1 (iv).—Roughly 80 per cent. of the total output of piecegoods in the Indian mills and 75 per cent. of the output of dhuties and shirtings are woven from counts below 25s. About 13 per cent. of the dhuties and shirtings are woven from yarns 26s to 30s, 9 per cent. from 31s to 40s and 3 per cent. from 41s and over (paragraph 10).

While figures for Dhuties and Shirtings individually are not available to the Sub-Committee those given below taken from the monthly Statistics of Cotton Spinning and Weaving in Indian mills issued by the Department of Commercial Intelligence for the year April to March, 1931-32 show the position. The figures below give the total yarn spun in and imported into India. From these figures (the export of yarn from India being negligible) the percentages of piecegoods woven in Indian mills can be seen.

	Indian mills production 1,000 lbs.	Imports 1,000 lbs.	Total.
1s to 25s . .	748,028	535	748,563
26s to 40s . .	179,141	14,831	193,972
above 40s . .	34,002	5,252	39,254
		Grand Total	981,789

i.e., out of the total yarns spun in or imported into India the percentage of 1s to 25s is 76·2, 26s to 40s is 19·7 per cent. and above 40s is 4·1 per cent.

From the above it follows (ignoring exports of yarn) that over 76 per cent. of the total output of cloth in India is made from yarns of counts 25s and under. 19·7 per cent. is made from yarns of 26s to 40s and about 4 per cent. is made from yarns above 40s. It must be borne in mind however that a very large proportion of the imported yarn is used for the handloom industry particularly in counts above 40s which will further decrease the percentage of yarn used in those counts for the production of cloth by the Indian mills.

Question 1 (v).—The trade in dhuties imported from the United Kingdom and the Indian mill production overlap only to a small extent in the region of medium counts.

With the almost complete extinction of the grey dhuti trade with the United Kingdom by Japanese competition, Lancashire productions do not now overlap with those of Bombay mills; the trade in medium and low counts has definitely been absorbed by *Bombay* and *Japan.*

In support of this conclusion the following figures extracted from Lakhani's Import List are quoted :—

During the period January 1st to June 30th 1932, 4,757 packages of Dhuties were imported into Calcutta from Great Britain. Of these 2,730 were white yarn dhuties and 2,027 were grey dhuties.

As against this no fewer than 42,232 packages of Indian mill-made goods entered Calcutta from Indian ports (excluding railborne goods). The extent of the reductions in Great Britain's imports of dhuties may clearly be seen from the fact that while she sent to India only 4,757 packages in the first half of 1932 she sent 105,836 packages during the twelve months of the year 1929.

Reverting now to the period January 1st to June 30th 1932, the 2,027 packages of grey dhuties exported by Great Britain to India were made up as follows :—

Jacconet Dhuties (38s Twist and 44s/54s W) 1,350 packages.

Mull (44s Twist 60s W and upwards) 134 packages.

Shirting 32/36s Twist 543 packages.

From these last figures it can be seen that, whereas the bulk of India's 42,232 packages are Shirting Dhuties, only 543 packages of Great Britain's imports are in Shirting Dhuties and as the *lowest* Shirting Dhuty imported from Great Britain is composed of 32s Twist there is in fact no overlapping with Indian mill production in the medium counts.

Question 1 (vi).—The imports of dhuties from Japan consist almost entirely of goods woven from yarn of count 30s and above (paragraph 12).

It is considered that this is still substantially the case. Lakhani's Import List shows that in the six months January to June 1932, Japan imported 10,230 packages of Grey Dhuties. Out of these over 10,000 packages were shirting dhuties in counts ranging from 28s to 38s.

Question 1 (ix).—There is little, if any, production of the finer classes of grey goods in India (paragraph 15).

While attempts have been made in Bombay and elsewhere in India to produce superior qualities from yarns counting up to 60s × 80s such efforts have met with but limited success; the purchaser of finer qualities apparently finds that in this grade better value for money is obtainable from the imported article.

The published statistics contained in the handbook issued by the Department of Commercial Intelligence and Statistics dealing with cotton spinning and weaving in Indian mills show that in the twelve months 1930-31 India produced 27,311,000 lbs. of yarn above No. 40 and imported 4,273,000 lbs. of yarn above 40s: in 1931-32 India produced 34,002,000 lbs. of yarn over 40s and imported 5,252,000 lbs. of such yarns. These figures show an increase of 6,691,000 lbs. in production and 979,000 lbs. in imports.

Question 1 (x).—The import trade in white goods remains mostly in the hands of Lancashire and consists largely of goods whose fineness is above the limit at which production from Indian cotton is possible (paragraph 16).

The white goods trade has always been an imported trade and until recently almost exclusively a Lancashire trade. But of recent years Japan has encroached upon the trade in white goods and the position would seem to be that the competition from this source which commenced with the lower qualities of shirtings and nainsooks has now extended to mulls and the whole trade is rapidly passing the way of grey goods. In nainsooks and shirtings Japan has actually got the upper hand and she is now concentrating on mulls.

Indian production still does not compete to any appreciable extent in this class and in any event the tendency would be for Indian productions to be in competition with Japanese goods—not Lancashire goods.

Lakhani's figures show that the percentage of India's share in white mulls, nainsooks and jacconets imported into Calcutta for January 1st to June 30th, 1932, is under 1½ per cent. of the total imported.

India's share in white shirtings, drills and other classes which compose the lower end of the trade is under 10 per cent. of the total imported into Calcutta and is confined to the very lowest qualities where her competitor is Japan not Great Britain. Only the higher qualities in white shirtings, drills, jeans and others are imported in quantity from England.

Question 1 (xi) Printed drills and jeans from Japan and printed shirtings from Japan and Italy compete with Indian woven striped shirtings. Fancy "Prints and Chintz" from the United Kingdom do not compete with any Indian product (paragraph 17).

Fancy "Prints and Chintz" from the United Kingdom do not compete with Indian fancy woven goods. But with the recent improvement in quality of Japanese goods of these descriptions the United Kingdom has had to face severe competition from this source. The competition which the Indian fancy woven goods have had to meet has been chiefly from Japanese Art Silk productions.

Question 1 (xii).—Competition in dyed goods has not shown any increase since 1927 (paragraph 17).

Competition in dyed goods is entirely restricted to Lancashire and Japan, the few low quality productions of Indian mills being negligible in quantity. This competition is not one of quality against quality in the same style but of the replacement of the plain dyed goods of the United Kingdom by other fabrics, *e.g.*, cheap, flashy, attractive looking art silks and fancy cottons which are offered at prices which meet the consumers pocket.

India produces a limited amount of low qualities of dyed shirtings and drills but very few other dyed goods. Lancashire's imports with the exception of possibly dyed shirtings are far finer in counts of yarn than Indian productions and do not compete with these.

Question 1 (xiii) In colour-woven goods, the principal competition is from Japanese striped shirtings, twills and coarse drills (paragraph 17).

The principal competition is still from Japan but it is not confined to striped shirtings. For example in the case of coloured woven Loongyees this style has been particularly affected by Mohammedans preferring to purchase Japanese Art Silks instead.

Generally, therefore, it can be said that as mentioned in connection with dyed goods this style is faced with competition from other more attractive and cheaper fabrics.

Question 1 (xv).—There is little direct competition in coloured goods between the United Kingdom and Indian Mills. The only serious external competitor is Japan, though Italy may become a formidable rival (paragraph 17).

The statement is still correct as regards the United Kingdom and India, the competition lying between the United Kingdom and Japan on the one side and between India and Japan on the other. Italy as a formidable rival has been, for the present at any rate, ousted from competition by her inability to face the increase in import duties as Japan has done with such conspicuous success chiefly due to the latter's favourable exhange position.

Question 1 (xvi).—If allowance be made for fluctuations in the price of raw cotton, there has been no general reduction in the price of Japanese cloth since 1926-27 (paragraph 19).

The internal cost of Japanese cloth has steadily declined since 1926-27 and this has been most noticeable in the last two years. Its external cost has, of course, been affected in the same direction to the enormous extent represented by the fall in the yen.

It would appear that latterly the cumulative effect of the Chinese Boycott has produced selling pressure and the fact that it has frequently occurred during the present year that Japan has been offering reduced prices for the same shipment as previously sold at higher rates points to anxiety to sell or, in short, to dumping.

Question 1 (xvii).—Over a range of cloth on which the cost of raw cotton per pound of cloth does not vary appreciably, the severity of competition increases with the price (paragraph 20).

This question, as stated, appears to be vague. It would seem to require to be re-stated in more explicit terms and in an amplified form before an opinion regarding it could safely be expressed.

Question 1 (xviii).—The fact that area for area, fine cloth is often cheaper than coarse cloth causes indirect competition between imported cloths and locally made coarse cloths (paragraph 28).

It is felt that this statement is still true. Fashions, particularly in "Swarajist" districts have recently inclined to favour coarse woven cloths but apart from this the ultimate criterion of the consumer is still a question of price coupled with utility.

It is also to be remembered that the recent increases in duty may have affected the position to a certain extent.

Question 1 (xix).—A general movement of prices in any particular range of cloth is apt to react on the price of other cloths of an entirely different nature (paragraph 22).

The proposition appears to be a simple exposition of one of the ordinary laws governing markets in which, other conditions being equal, a price movement in one section is sympathetically reflected by a rise or fall, as the case may be, in others. As such it cannot be controverted. Evidence of the truth of this may be adduced from the references previously made to the competition of cheap art silk goods with Indian coloured and coloured-woven goods.

Question 1 (xx).—Artificial silk yarn is being used to an increasing extent in the weaving of striped cotton goods and the borders of Dhuties. To this extent artificial silk yarn is an ally rather than a competitor of cotton (paragraph 22).

Formerly it seemed that, as an ally of cotton, art silk would increase in its use and popularity but the prohibition of Congress has altered the position. The competition of art silk goods such as Loongyees and garments worn by Mohammedans, with mill-made goods has already been commented on.

Question 1 (xxi).—The imports of artificial silk cloth and of mixed cotton and artificial silk fabrics are in competition with real silk goods rather than with cotton goods (paragraph 22).

This is no longer the case. Art silk mixtures from Japan are rapidly taking the place of cotton dyed brocades, prints, dorias and pongees, etc. Art silk goods are much cheaper now than they were in 1929. The high class art silks may still be competing with silk goods. It might even be said that the whole range of fancy cotton cloths is affected by art silk competition.

Question 2.—Please prepare a statement of recent prices, if possible both (i) c.i.f. and (ii) wholesale market prices, of comparable classes of cloth imported from the United Kingdom and from Japan. It would assist the Board greatly, if, besides recent prices, you could furnish also a statement of average prices for each year from 1926.

The position in regard to this question is that the various firms having been separately addressed by the Tariff Board have supplied the Board direct with the information asked for.

Question 9 (vi).—Please supply any information which you may possess on the following point regarding the handloom weaving industry:—

Extent to which protective duties on cotton (a) *yarn and* (b) *piecegoods will affect the handloom industry.*

As the great majority of the United Kingdom yarns imported into Calcutta are for use in the handloom industry and as there is little doubt that the present duty is crippling it the Sub-Committee is of the opinion that the duty on yarns should be drastically revised.

Question 14.—Please state the principal classes of imported cloth, giving the correct trade description in each case, which generally enter into competition directly or indirectly, with each class of Indian cloth mentioned in reply to question 13 (a).

Imports from Lancashire scarcely compete at all with Indian cloths. Japan is India's real competitor both *directly* and *indirectly*. England no longer exports to India grey shirtings: and grey dhuty competition from England is negligible.

Lancashire still exports into India a few packages of dyed shirtings but both Lancashire and Indian production are now being seriously threatened by Japan. In striped shirtings Great Britain no longer competes with Indian mill production as Japan has monopolised most of the trade. In whites, as has been mentioned, Indian productions are only at the coarser end of the trade which Lancashire does not touch but into which Japan cuts heavily. It should be noted that in cotton fancies the Indian mill goods are in much lower counts than Lancashire uses.

Question 39.—If you consider that protection should be continued, please state, (i) *in what form,* (ii) *at what rates,* (iii) *for what period, and* (iv) *against imported goods of what classes and countries of origin, protection should be granted in future?*

The Sub-Committee consider that there is a case for the continuation of protection to the Bombay mills as against the severe Japanese competition which now exists. On the other hand the Sub-Committee consider that the Indian mills no longer are in need of such a large degree of protection against Lancashire products which as has been shewn now consist almost entirely of very fine and very wide cloths and of good class printed cloths and other specialities not produced to any appreciable extent in India.

(i) Protection should continue to take the form of Import Duties—specific duties where existing and other cases at *ad valorem* rates.

(ii) It is recommended that a duty of not more than 11 per cent. should be assessed on goods of British manufacture and not less than 40 per cent. on goods of foreign manufacture as the latter are more in direct competition with the Indian mill goods. In addition adequate measures should be taken to counteract any exchange depreciation or currency devaluation by any foreign country which would have the effect of invalidating such duties. In this respect the Sub-Committee propose that an immediate compensatory tariff should be imposed against Japan based on the extent she has depreciated her currency from gold par value (say Rs. 137 to 100 yen). With regard to art silk these are dealt with in the answer to question 43.

(iii) Protection should, it is suggested, be continued for three years.

(*iv*) Protection should be granted against all classes of goods from all foreign countries. As has been pointed out before a less heavy protective duty against the United Kingdom should be granted.

Question 40.—If you think that protection should be granted in the form of specific duties, please state, in view of the difficulties

pointed out by Mr. Hardy in Chapter VI of his report as regards the administration of specific duties on cotton piecegoods, what you consider to be the most suitable basis for such duties?

The Sub-Committee do not advocate any change from the general method followed in administering the tariff.

Question 42.—Do you consider that the present tariff definition of "plain grey" piecegoods require modification: If so, in what respects? No.

Question 43.—If you consider that protection is required against *imported piecegoods made wholly or partly of artificial silk, please state (i) what duties you propose, (ii) the grounds on which your proposal is based and (iii) whether you consider the present tariff definition and grouping of artificial silk goods satisfactory (see Art. 100-A. 45-A and 133 of the Statutory Tariff Schedule).*

Before dealing with the specific points raised in this question the Sub-Committee would invite the Tariff Board to consider the special case of imports of cotton and woollen goods *embroidered* with art silk up to 15 per cent. admixture. As these are specialities they do not compete directly or indirectly with Indian products and it is submitted that as the demand for these goods is being killed by reason of the excessive duties to which they are subjected they might now be given special consideration with a view to the duties on such goods being placed on the same basis as plain woollen productions, *viz.*, 25 per cent. in both cases. It is also suggested that cotton and woollen goods woven with an admixture not exceeding 15 per cent. of art silk should be assessed on the basis of cottons or woollens as the case may be.

It is considered that protection is required against imported piecegoods made wholly or partly of art silk and in particular against Japanese art silk goods. Many of the low qualities of art silks especially those from Japan are seriously competing with cotton goods produced in India. On the other hand the superior qualities of art silk goods which do not in any way compete with Indian made goods are being badly handicapped by the present rate of duty. The United Kingdom is chiefly concerned with the latter and it is therefore suggested that an import duty of not more than 35 per cent. on imports from the United Kingdom and not less than 75 per cent. on those from foreign countries be imposed.

The Sub-Committee are strongly of opinion that the present grouping of art silk and silk is unsatisfactory inasmuch as they have now become distinctive fabrics and do not now compete with each other save to a limited extent. Art silk fabrics are definitely in competition with cotton goods and consequently should be in a class by themselves.

In this connection it is thought that the Indian mills should abrogate the agreement made with Congress prohibiting the production of cotton piecegoods containing art silk.

Question 44.—If a case for protection is established, how far is it possible in your opinion to adopt a system of preferential duties on cotton goods imported from the United Kingdom consistently with the interests of (i) the Indian cotton textile industry, (ii) the Indian consumer of cotton goods and (iii) the general tax-payer in India.

So far as the imports of cotton goods from the United Kingdom are concerned it has been shown that they do not compete with the productions of the Indian cotton textile industry.

A general view of the position can be taken from the figures given in the reply to question 1 (iv) from which it will be seen that out of the total productions of Indian mill made cloth less than 4 per cent. is made from counts of the same range as forms the bulk of the United Kingdom imported cloths. Taking each class of goods separately it has been shown that United Kingdom cloths do not in fact compete individually with the Indian product.

It is therefore possible, the Sub-Committee consider, to accord preferential treatment to the United Kingdom without interfering with the Indian mill production.

So far as (ii) is concerned it is considered that a rebate in the duties against the United Kingdom will be of benefit to the consumer.

As far as the general taxpayer is concerned statistics have shewn that the raising of the tariff on British goods to its present level has resulted in a definite loss of revenue.

Before concluding the Sub-Committee of the Chamber would like to take this opportunity of bringing prominently to the notice of the Board the effect of the incidence of the minimum duties on imported yarns. Nominally the duty on yarns is 5 per cent. with a surcharge of 25 per cent. or 6¼ per cent. in all with a minimum of As. 6 or, with the surcharge, As. 10½ per lb. This minimum charge was imposed in order to give adequate protection to the local industry whose output is restricted to the coarser counts of yarn, 40s being for the most part as high as all but a very few mills can spin. This minimum charge affected all yarns imported, the landed cost of which was less than Re. 1-14 but at that time this covered the coarser qualities only.

Circumstances have however since changed to such an extent that 90 per cent. of the yarn business done with India in the same yarns as formerly is done at prices varying from Re. 1-4 per lb. down to As. 10 per lb. and 40s can be bought in the vicinity of the latter figure.

This means that for 60s say, for which the price is about Re. 1 the minimum duty payable is As. 10½ per lb. whereas were this 6¼ per cent. as intended, the duty payable would be 1 anna per lb. nearly 50 per cent. less, without any benefit accruing to the Indian mills as they do not spin counts as high as this. The same argument applies equally of course to yarns of a higher count although to a decreasing extent as the higher value naturally increases the percentage duty.

The Sub-Committee contend therefore, that although there may be somo justification for the minimum duty of As. 1-10½ on yarns up to 40s there are no grounds for contending that this is justified in the case of higher counts which are not spun in India. That being so the Sub-Committee would suggest that the duties on yarns should be placed on the following basis:—

(i) Yarns from foreign countries 6¼ per cent. or 1¾ annas per lb. whichever is the higher.

(ii) Yarns from the United Kingdom 5 per cent. or 1 anna per lb. whichever is the higher.

In this connection the Sub-Committee would point out that Lancashire manufacturers do not possess any advantage in respect of inferior labour conditions as is the case in Japan and China. Furthermore the reduction recommended would, if adopted, prove of immediate advantage to the handloom industry.

The fact that Bombay has greatly increased her output of yarns seems to the Sub-Committee to prove that the present rate of duty is no longer necessary.

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(3) *Letter No. 2428—1932, dated the 29th July, 1932, from the Bengal Chamber of Commerce, Calcutta.*

I have the honour to invite a reference to the letter No. 2339, which was addressed to you on 20th July, on the subject of the questionnaire prepared by the Board in connection with their enquiry into the position of the Indian Cotton Textile Industry. The letter stated that, in the replies to the different portions of the questionnaire which were dealt with, it gave expression to the views of the Piecegoods Sub-Committee of the Chamber, and I am now directed to ask that the letter should be taken as expressing the views of the Chamber.

(4) *Letter No. 3225—1932, dated the 5th October, 1932, from the Bengal Chamber of Commerce, Calcutta.*

I am directed by the Piecegoods Sub-Committee of the Bengal Chamber of Commerce to refer to the evidence which they adduced at their examination by the Tariff Board on Wednesday, 14th September, 1932.

During the course of the proceedings several points arose upon which the Board required further evidence and for this purpose the Board was pleased to grant the Piecegoods Sub-Committee a fortnight's time for the submission of their views on these supplementary issues.

The first point which called for a supplementary reply was Question 1 (XVIII) of the questionnaire:—

> "The fact that area for area fine cloth is often cheaper than coarse cloth causes indirect competition between imported cloths and locally made coarse cloths".

The Sub-Committee have further considered this and they would submit that this statement is still substantially true provided the comparison is made between cloths of the same reed and pick per unit of area. Locally made cloths are generally made with a low reed and pick whilst imported goods made of finer yarns have a high reed and pick so that in actual practice the comparison can very seldom be made. In this connection the Sub-Committee would refer to a statement which was reported in the press as having been submitted by the Indian Chamber of Commerce to the Tariff Board. The statement in question is as follows:—

> "......................the cloth produced from finer counts was cheaper initially compared area for area with coarser cloth................."

It is the opinion of the Sub-Committee that this statement can only be true if the reed and pick of the cloths correspond and even then it would hardly apply to the case where the finer cloth was composed of very high counts spun from the best grades of Egyptian and Sea Island Cotton. The Sub-Committee also understood that the Indian Chamber of Commerce were reported to have referred to the remarkable increase in the production of the fine yarns, up to the end of March 1931. While that is so the Sub-Committee understand that the total production of yarn over 40s count spun in and imported into India was only 4·1 per cent. of the total outturn and if the imports of such yarns are deducted it leaves a balance of yarn actually spun in India of only 3·53 per cent. of the total production.

With regard to Question 39 (ii) it will be remembered that in their written statement in reply to the questionnaire the Sub-Committee had recommended "that a duty of not more than 11 per cent. should be assessed on goods of British manufacture.......................".

The Sub-Committee now wish to explain that in recommending this figure of 11 per cent. they had in mind the fact that it was the last rate which was recognised by the Government as a protective measure, for, after the exhaustive Tariff Board enquiry of 1926, the Government of India stated in a communique that "in their opinion no case had been established for a general increase in the duty as a measure of protection". Again in 1930 the Government of India in granting further protection stated that the protection was purely as a temporary measure dictated by the necessities of the moment and not as the final decision of a considered policy.

The Sub-Committee after careful deliberation considered that 11 per cent. represented an equitable rate of duty from the point of view of both the Indian mills and the Indian consumers.

Question 43.—In amplification of their written reply to this question the Sub-Committee at the hearing requested the Tariff Board to consider favourably the special case of goods manufactured in England which were subjected to a supplementary process on the Continent before being shipped for consumption in India. It was submitted that such goods, the greater part of the manufacture of which being British, should be considered for revenue purposes as British, and that the rate of duty applicable to British

goods should be applied to such portion of the invoice price of the goods as represented British manufacture. The goods for which this was contended were specialities which in no way competed with the Indian mills. The President of the Board asked the Sub-Committee for particulars of the various classes of such goods. He enquired what percentage the cost of the supplementary processes referred to such as bleaching, dyeing or embroidering, would bear to the total cost of the finished article.

The Piecegoods Sub-Committee were not at the time of the hearing in a position to give definite figures and it was arranged that they should make enquiries and submit a statement of particulars at a later date.

The Sub-Committee now submit that the particular classes of goods for which they would ask special consideration are as follows:—

(i) Dyed yarns, red, (Dutch and Swiss), etc.

(ii) White shirtings (Dutch), etc.

(iii) White and dyed voiles, muslins (Swiss), etc.

(iv) Spot muslins, chikans, grenadines (Swiss), etc.

(v) Embroidered allovers, flouncings, sarries, shawls, insertions, edgings (Swiss and Czecko-Slovakian), etc.

After making exhaustive enquiries the Sub-Committee are unable to give definite figures showing the proportionate costs of the subsidiary work in the goods to the total cost. Their enquiries have shown that the proportion varies very widely with different styles, and that in each individual style the proportion is of no fixed character.

In regard to goods of the above descriptions it would appear that the effect of the alteration of the tariff has been the almost complete elimination of this trade. The Sub-Committee regret that they are unable to supply statistics but these might be available from the Manchester Chamber of Commerce: information on the point could possibly be obtained also from the Collector of Customs.

It is not anticipated that any difficulty would be entailed in connection with the provision by relative Chambers of Commerce or other recognised authorities of certificates of origin or other kindred information required by the Customs Authority.

Yarns.—In supplementing their reply to the questionnaire the Sub-Committee have drawn up a table of comparison between the *ex*-godown prices at which sales were effected by importers during the first 8 months of the year 1927 immediately following an enquiry, in India, into the question of duties on yarn and the *ex*-godown sales during the same period of 1932.

From the summary of the table which is set out below it will be seen that the duty levied in 1927, *viz.*, As. 1-6 or 5 per cent. whichever is the higher, is, on to-day's selling prices, considerably in excess of what was then considered to be an adequate protection to the trade.

To the following table the Sub-Committee would specially direct the Tariff Board's attention:—

	Average selling Price. January to August 1927.	Percentage of duty at As. 1-6 per lb. or 5 per cent. introduced in 1927.	Average selling Price. January to August 1932.	Percentage of duty in 1932 on the basis of As. 1-6 or 5 per cent.
40s grey . .	14·875	10·08	10·833	13·85
44s grey . .	14·031	10·68	11·237	13·35
44/40s coloured .	20·718	7·24	11·375	13·19
60/40s coloured .	18·425	8·14	12·812	11·70
50s grey . .	23·625	6·35	13·5	11·11
70s grey . .	29·218	5·13	17·830	8·41
80s grey . .	30·67	5	19·91	7·53
90s grey . .	33·812	5	22·25	6·74
100s grey . .	35·625	5	24·562	6·11

The result of the application of this revised level of duty on the lower prices now ruling is reflected in the considerable curtailment of business in imported yarns of counts which the Indian mills are not in a position to produce although there is a considerable demand for theso yarns for the requirements of the handloom industry.

It is submitted that these figures illustrate in the clearest way that this increase of duty has been of no benefit either to the Indian mills, or to the handloom industry or to the Government; indeed the revenue of the Government of India must have suffered a severe diminution in consequence of the incidence of this duty.

While the foregoing remarks apply to imports of yarn from the United Kingdom, the Sub-Committee wish to say a few words on the subject of Japanese yarn importations.

So far as the latter are concerned it is an accepted fact that Japanese yarn shipments do not actively compete with those produced by the Indian mills. Japanese yarns importations are chiefly composed of 40s counts and below.

Whilst it is admitted by the Sub-Committee that the Indian mills cannot produce anywhere near the required quantity of 40s yarn the fact of a cheap Japanese sale of this count would be similarly to depress prices of lower counts spun by the local mills.

It was for the foregoing reasons that the Piecegoods Sub-Committee suggested in their written statement of the 20th July, in reply to the questionnaire that there should be a heavier duty levied in respect of imports from Japan.

SPECIFIC DUTIES.

The President of the Board at the oral examination of the Chamber expressed the wish that the Chamber had gone more fully into the question of specific duties instead of merely suggesting the retention of specific duties where in force at present and advocating *ad valorem* duties for all other goods. As it had not occurred to the Chamber that the possibility of further specific duties would be considered by the Board owing to the many serious drawbacks attaching to them they feel it necessary now in answering the questions submitted by the Board to state their objections to them in rather fuller detail than the scope of the questions actually demands. The Chamber hold very decided views as to the advisability of imposing them which are detailed below in their replies.

Question 1.—"Whether specific duties would give more stability to the protective scheme than *ad valorem* duties."

It is the opinion of this Chamber that *ad valorem* duties give more stability than specific duties. In their reply to the original questionnaire they have however recommended that the present duties on grey shirtings and yarns should remain on a specific combined with *ad valorem* basis subject to revision of the "mean rates" below which the specific duty comes into force. The reason for this limited recommendation should be explained.

The Tariff Board in their oral examination of the Chamber implied that they were in favour of specific duties taking the place of *ad valorem* duties where possible giving as their reason that the big decreases in imports since 1927 had been in grey shirtings and yarns where specific duties had been imposed. The Chamber wish to point out however that the reason for the specially severe operation of the specific duties in these cases was the decline in the price of raw cotton and world price levels generally. This decline resulted in the 3½ annas per lb. specific duty which when imposed amounted on a cloth costing 21 annas to 16⅔ per cent. of the value of that cloth increasing to 25 per cent. of the value of the cloth when the price of the cloth had fallen to 14 annas. Thus an extra penalty amounting to over 8 per cent. more than originally assessed as necessary by the Government was incurred on the imported cloth. This extra 8 per cent. protection was gradually coming into force at a time when wages and commodity prices

and with them manufacturing costs were declining* and it follows that as manufacturing costs declined the amount of protection expressed in annas per lb. needed by the Indian mills to counteract the advantage in making costs enjoyed by foreign competitors must have declined with it and should have been proportionately reduced. The 3½ annas per lb. however remained untouched becoming an increasingly severe penalty as prices fell, and this explains the inequitable but increased efficacy of the specific duties noticed by the Board.

Another instance of their anomalous working when prices fall is the present rate of duty on yarn. As has been explained by this Chamber in their earlier statement the specific duty now comes into action and puts a very heavy penalty on imported yarns up to 80s when the original intention was only to penalise counts of 40s and under.

In spite of these drawbacks however the Chamber is prepared to recommend the continuance of these two specific duties provided a revision of the "mean rate" dividing the specific from the *ad valorem* duties is undertaken. A point which they have not previously stressed and which they would like to do here is that continual revision by a competent authority of these "mean rates" is absolutely necessary if the duty is not to operate with the unfairness and unintended severity shown above.

In recommending their continuance in these two cases the Chamber only do so because if revision is made frequently enough their operation is not going to dislocate the course of trade. Whereas grey shirtings and yarns by reason of their simple construction are not so difficult to operate on a specific duty basis, there are no other cotton goods on which this form of tariff will not unnecessarily harass the shipper and importer, cause extra labour and expense to the Customs Authority, and be liable to decrease Revenue. In the Chamber's view there is nothing to be gained by the Indian Mills from specific duties (unless as explained above they operate unfairly when cotton prices drop) which cannot be secured from an adequately imposed *ad valorem* duty. The foregoing explains the attitude taken up by the Chamber in their original reply to the questionnaire.

To deal now with the question itself. The instability of specific duties cannot be more clearly shown than in the need mentioned above for constant revision of the "mean rate" or dividing line between the operation of the specific and *ad valorem* duties. An *ad valorem* duty does not need this constant supervision as the percentage of protection given by it moves proportionately with the fluctuations of wages and world prices. Only very occasionally and then only temporarily does an abnormal rise or fall in the price of raw cotton outstrip world prices and world wage levels. Readjustment takes place rapidly. Should a temporary decrease in the protection afforded by the *ad valorem* duty be caused by the price of raw cotton falling very heavily while wages and world prices remained unchanged it must be remembered that in the case of a sudden large rise in the price of cotton the converse will also be the case and will operate to the advantage of the Indian mills.

Indian cotton is led by American and must follow it up and down, and the way in which all world prices have moved up and down in step with the recent fluctuations in cotton is only an illustration of the above. Had the rise been maintained a rise in wages would have been the certain consequence.

A specific duty can only be called a stable form of duty when prices are at the level at which it is originally assessed. When prices fall it operates more severely than the original assessment warranted and when prices rise from the original level it at once becomes ineffective. On the other hand an *ad valorem* duty automatically increases or decreases as price levels fluctuate and continues to give the adequate measure of protection without the need for constant revision.

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* It can be shown from figures available that the manufacturing price of cloth has fallen between 33⅓ per cent. to 40 per cent. since April 1926.

Question 2.—"Assuming that specific duties are considered to be essential what basis would be the most suitable."

The Chamber regret that they cannot give any help here but at the same time feel the necessity for elaborating the views which have led them to their attitude on this question. Apart from the specific duties per lb. levied on grey shirtings and yarns they do not recommend the imposition of specific duties on any other kind of cloth because there is no basis which they consider suitable. Mr. Hardy in his report did indeed put forward a modified scheme of duties specific and otherwise but he stated that his proposals were more for stimulating discussions and inviting counter-suggestions than for actual acceptance as a basis of assessment. Since the last Tariff Board reported in 1927, although imports in certain sections have fallen off there has been no change which renders the operations of specific duties on any goods other than grey shirtings and yarns any more feasible from a technical point of view, or desirable from an importers, shippers or Revenue point of view. While from the point of view of the Indian mills their staple, *i.e.*, grey shirtings and yarns are now protected by specific duties and the requisite protection for their other styles can equally be obtained by adequate *ad valorem* duties.

Without going closely into the details of the technical objections to specific duties the Chamber quotes the opinion of the last Tariff Board given after a full study of the question and after examination of the Collectors of Custom at Madras, Bombay and Calcutta (Page 176 of Vol. 1) which was as follows:—

"................it would be extremely difficult to evolve a satisfactory scheme (of specific duties) even for grey goods owing to the immense range of cloth which enters India...............Even in regard to grey goods which, it was agreed, represented a much easier problem than bleached or coloured printed and dyed goods, the very important class of bordered dhuties presents great complication."

This was the considered opinion of the last Tariff Board. Since their decision the situation has in no way changed.

Question 3.—"Should specific duties apply to all classes or only to certain important classes of piecegoods."

The Chamber has already intimated their acquiescence in specific duties (subject to necessary revision) being continued for grey shirtings and yarns. The imposition of specific duties on any other cloths will in their opinion:—

(1) Harass the shipper, importer and consumer unduly and unnecessarily.

(2) Cause great extra expense and labour to the Customs Department.

(3) Decrease the Revenue.

The last of these points will be dealt with in the answer to question 4. Points 1 and 2 will now be discussed together.

A specific duty really designed to protect the Indian mills must be based on the counts of the yarn. In whatever way it may be proposed to test or estimate them, the necessity arises for—

(1) A very large number of bales being opened with consequent pilferage and damage to the goods. As there would be more subclasses in goods other than grey shirtings so the necessity for opening bales increases. If tests on shipment samples only were taken it would be a direct encouragement to unscrupulous shippers to send forward shipment sample differing from the actual goods and the tests taken would consequently be inaccurate.

(2) The testing even on an "elemental thread and weight basis" requires a large increase to the Customs Staff of highly trained technical men with consequent extra expenditure.

(3) Three days only are allowed on the jetties for goods after landing. Testing for counts is a very technical and difficult matter if an

accurate result is to be obtained even on a grey cloth and delay of a more or less indefinite nature would be inevitable. In fact there is bound to be considerable delay in allowing clearance of the goods from the Custom House. An unfair and possibly heavy charge of wharf rent might be incurred as a result by the importer.

(4) Help and information as to counts is needed from importers and shippers if testing work at the Customs is to be minimised, but little would be forthcoming. The importer in most cases does not know and the shipper, if he knows, canont be expected to give away the true counts of his cloth for his customer, and in due course his competitors, to know.

(5) In Calcutta buyers and sellers know nothing of reed and pick and counts of yarn and weight of cloth. They are guided by the feel and appearance not by technical details. It is going to be very difficult for the Indian importer and bazar dealer if he is not able to estimate accurately the amount of duty to which his purchase is liable.

Apart from the above general difficulties there are special ones affecting each particular class of goods.

1. *Dhuties.*—The difference in weights and prices of the various borders make a specific duty impossible to operate. Mr. Hardy's opinion after careful investigation was as follows:—

"The factors contributing to variation in the price of dhuties are much more diverse than with plain grey cloth and this, coupled with the fact that they are almost invariably packed in bales leads to the conclusion that it is not possible to apply differential rates to dhuties."

The Chamber can see no reason now to modify this conclusion.

2. *Whites and Coloured Goods.*—The requirements of the consumer and the necessities of the finishing and dyeing processes give extra weight to the yarns of the majority of importations in these styles. This feature, if specific duties according to actual counts were imposed, would make testing by the Customs House a very highly technical operation and apart from the expense entailed by the employment of experts the results must still be largely inaccurate. If a specific duty by apparent counts was levied the additional penalty on the weight of finish or dye in the cloth would unfairly penalise the consumer. On the other hand as in most cases there is no competition with the Indian mills they would obtain no corresponding benefit.

Further, if the incidence of the specific duties is to operate at all evenly, division into a large number of classes and sub-classes would be necessary as the range of white and coloured goods is extensive and in the same way that grey shirtings and grey dhuties, though both greys, are quite distinct from one another, so there are entirely different species of cloth in white and dyed goods. The work of sorting out these classes in order to fix the appropriate specific duty for each class and sub-class would take an expert many months to achieve and as fashions change and cloths of different constructions appear fresh divisions into classes would be continually called for.

The above is only a brief statement of some of the Chamber's views on the subject but it is only necessary to read Mr. Hardy's report and the last Tariff Boards interview with him to see the further difficulties in the way of operating specific duties scientifically without loss of revenue, destruction of copyrights and dislocation of trade. In the opinion of the Chamber the limit of their practicable application has been reached with grey shirtings and yarns which are the two most important products of the Indian mills and the Chamber is directly opposed to their extension to any other classes of goods.

Question 4.—"What would be the probable effect, from a Revenue point of view, if specific duties replaced *ad valorem* duties?"

If the price of cotton fell the Revenue would suffer since the operation of the specific duties would as indicated earlier tend to become prohibitive to imports.

The extra Customs organisation necessary to deal with these would be a heavy charge on Revenue.

The unfair incidence of specific duties as explained in the next answer together with the increasing complication of calculating the duties and the vexations to the importer, imposed by them would tend to discourage the shipping to this country of dhuties, dyed and bleached cloths which in no way compete with Indian mills production.

Question 5.—" Whether the extension of minimum specific duties to all classes of piecegoods would disturb the relative incidence of customs duty on different classes of piecegoods? Would some brands for instance tend to be displaced?"

It may be argued that by the combination of an *ad valorem* duty with a minimum specific duty the incidence of the latter would be very much less disturbing than if a specific duty alone were imposed. Mr. Hardy has fully explained in paragraphs 27, 28 and 29 of his report the dislocation which would inevitably follow from a general application of a specific duty only and the Chamber agrees with the objections which he there makes. They consider moreover that these objections would still hold good even with the combined form of duties suggested above and there is a further serious objection as well.

As previously mentioned, in the event of their application to all cloths there would have to be a very extensive division into classes, each with a separately assessed rate of specific and *ad valorem* duty imposed upon it. Each one of these classes would be subject to price fluctuations not merely of a general nature caused by the vagaries of world and raw cotton levels but to variation all its own such as changes in dyeing, bleaching or finishing costs. It has been shown how inequitably minimum specific duties have operated in yarns and grey shirtings owing to their not being frequently revived in accordance with fluctuations in cotton and world prices. There is therefore no need to stress the amount and difficulty of the work that might be involved in keeping up to date the " mean rates " of duty if all classes of finished piecegoods which come into this country were subjected to them.

In closing their remarks in direct answer to these supplementary questions of the Tariff Board the Chamber feel that they can sum up the position most adequately by saying that if a moderate means of protection is intended an *ad valorem* duty is simpler, fairer and just as effective as a specific duty whereas in the words of Mr. Hardy—" If a protective duty is intended to be prohibitive the method of assessment (specific or *ad valorem*) is immaterial. It is merely necessary to fix the rates sufficiently high."

GENERAL.

In the light of their interview with the Tariff Board and the evidence of other commercial bodies which has already been published the Chamber wish particularly to bring to the notice of the Board the following points:—

(1) The counts spun in or imported into India over 40s are only 4·1 per cent. of the total Indian production. Although the lowest range of the United Kingdom productions just touches 40s and then as a rule only on the warp, the weft being 46s or 54s the great bulk of imports in white yarn dhuties, whites and dyed goods is composed of 60s average counts or above. No evidence has been adduced so far to show that United Kingdom productions at present in any way undercut those of the Indian mills or are responsible for the present depression in the industry.

(2) Japanese importations being of counts closely approximating to those of the Indian mills are the direct cause of the depression in piecegoods, and Chinese importations in yarns.

(3) Imports from countries other than the United Kingdom and Japan or China are negligible.

(4) Any decrease in raw cotton exports to Japan consequent upon the imposition of further duties on Japanese imports of cotton piecegoods will be compensated by the increased consumption of cotton by the Indian mills resulting from Indian mill goods taking the place of the restricted Japanese imports.

(5) Specific duties apart from the objections already stated if imposed on all classes of goods would penalise United Kingdom productions which do not compete with Indian mills as well as Japanese imports which do compete.

(6) Preference for United Kingdom productions against China and Japan is necessary and is now a recognised principle in the Cotton Tariffs.

In the light of the six preceding points the Chamber endorses the proposals put forward in their original statement and recommends:—

(1) That any increase in the duty on imports of cotton goods or art silk goods suggested by the Tariff Board should take the form of *ad valorem* duties (except where specific duties are at present in force) and should be imposed solely on all imports from China and Japan.

(2) Alternatively that in the event of the abrogation of the Anglo-Japanese convention of 1905 being considered inadvisable, the duties recommended should be imposed on all imports from foreign countries.

(3) That United Kingdom productions should have preferential rates of duties in *ad valorem* form (except where specific duties are at present in force) over all foreign countries. Such rates should be sufficiently low to give adequate protection to United Kingdom imports against the special facilities enjoyed by Japan and China without encouraging a revival of the former United Kingdom competition in Indian mill productions. The rates proposed by the Chamber are designed to this end and are embodied in their original reply to the Tariff Boards Questionnaire.

Maharashtra Chamber of Commerce, Bombay.

Letter No. 427/32, dated the 21st July, 1932.

I am directed by the Committee of this Chamber to broadly indicate their views on the question of further protection to the Cotton Textile Industry as under:

The Committee believe that cloth being one of the prime necessities of life, it is desirable to try to make this country fully self-contained in respect of its cloth requirements as early as possible. The Cotton Textile Industry of India satisfies the conditions laid down by the Fiscal Commission (paragraph 97 of their Report). The Committee, therefore, urge adequate or sufficient protection to the Cotton Textile Industry to achieve this object. The industry has progressed during the last two years since the passing of the Cotton Textile Protection Act (1930). Although to a certain extent the increase of production has been due to the small measure of protection granted by means of tariffs, it is absolutely due to the spirit of Swadeshi which is awakened among the people of the country. The prices of Indian piecegoods have gone down, but they have not come down to the extent they ought to have proportionately to the prices of the imported piecegoods. In the absence of adequate measure of protection, it is possible that foreign piecegoods imports of superior varieties may again begin to

increase when the Swadeshi sentiment begins to wane, unless in the interval it becomes possible to produce all these varieties in the country itself at competitive and fair prices. A measure of protection, it will be seen, must be full and adequate, if the same is to serve its purpose early and properly. New capital can only come in, and more mills can only be established if sufficient and not meagre protection for a reasonable period is definitely assured.

The protection granted by the 1930 Act, small as it was, has undoubtedly done some good to the industry. There has been great diversification of production and the progress made by the industry can be considered satisfactory. The cotton piecegoods production which stood on an average at 2,176 million yards during the five years' period (1925-1930) rose to 2,948 million yards by the year 1931-32, an increase of nearly 39 per cent. The production of yarn increased from 756 million lbs. (average annual production for the five years 1925-30) to 954 million lbs. in 1931 32, an increase of more than 25 per cent. The foreign piecegoods imports decreased from 1,919 million yards in 1929-30 to 760 million yards in 1931-32; imports of yarn also have gone down considerably. The consumption of Indian cotton by the mills in the country increased from 19 lakhs of bales in 1928-29 to 24 lakhs of bales in 1931-32. Due to internal competition the consumer has been benefited and the prices charged to him have not been high. Many mills in Bombay, Ahmedabad, Delhi, Cawnpore and elsewhere have passed on the spinning of higher or finer counts, and the weaving of better quality and variety of cloth which is available to-day. The Committee submit all this is a fine achievement on the part of the Textile Industry of the country and it has more than justified the small amount of protection which was given to it only as an emergent measure to avoid dangerous results, as Sir George Rainy observed in his speech in the Legislative Assembly while introducing the same in 1930, and shown what is possible to accomplish under favourable conditions created by the increased import duties, inadequate as they admittedly were.

The Committee of this Chamber are definitely opposed to preferential treatment to any imported piecegoods, as they think the same would not be in India's interest. It cannot be reasonably argued that if preference is given to varieties not at present produced in India, there can be no harm to Indian textile industry. The Committee would like to contend in this connection that these varieties would soon begin to be produced and they do not wish that the question of protection should every now and then arise. The whole cotton textile industry should be put for a definite number of years on a strong protective basis so as to ensure it fully to develop and be able to meet the entire cloth requirements of the country at an early date. The Committee would suggest duty on rayon imports also. They have, therefore, to suggest that all non-Indian cotton piecegoods imported into the country, whatever the country of their manufacture should be subject to the same protective tariff and that no exception should be made in any case. By making an increasing use of imported long staple cotton till the same becomes available to a sufficient extent in this country, it is possible for the Indian mills to produce all variety of superior quality of cloth which at present comes from outside, as many of our mills have already passed on to spinning of finer counts, as stated above, and made the necessary investment for the purpose. The Committee have also to point out that since Japan consumes a large quantity of Indian cotton we must also consider whether she may not retaliate by transferring her custom elsewhere, if this country discriminates against her.

The Committee of this Chamber have to note that although they agree that import duty of 6 pies per lb. during the last year on foreign cotton brought into India acts to some extent as a disadvantage from the point of view of Indian mills in their competition with the imported qualities of finer cloth, they stand for retention of this, as the same has given some advantage to the cotton grower of the country and is calculated to help those who desire to grow better varieties of cotton.

The Committee would like to draw the attention of the Tariff Board to the need of protecting the Hosiery Industry of the country against competition from the foreign hosiery which is sold at amazingly low prices. Nearly 80 per cent. of the total hosiery imports of India came from Japan in 1929-30. The same year if we look to their value we find that out of the total hosiery imports of nearly Rs. 143 lakhs Japan contributed 123·34 lakhs, United Kingdom 1·18 lakhs, United States of America 3·88 lakhs and other countries 15·27 lakhs. If a sufficiently high *ad valorem* duty is put upon the imported hosiery for a reasonable period, it will give a fillip to the Indian hosiery industry which is struggling to-day and enable it to grow with vigour so as to be early able to meet the hosiery demand of the country to a very substantial extent.

The Indian Merchants' Chamber, Bombay.

Letter dated the 1st August, 1932.

With reference to your letter of the 4th July, 1932, I am directed to send to you herewith the views of my Committee, in connection with the Board's inquiry regarding protection to the Cotton Textile Industry.

Written Statement of the Committee of the Indian Merchants' Chamber, submitted to the Indian Tariff Board regarding protection to the Indian Textile Industry.

The Committee of the Indian Merchants' Chamber desire to support the request of the Indian Textile Industry for tariff protection, because it is one of the most important organised industries in the country. There is a large amount of Indian money sunk into it, and it gives employment to a very large number of people. It offers an important market for one of the staple crops of India, and in connection with its purchase of stores, etc., it has enabled a large amount of ancillary and subsidiary industries and trade to be created in the country. It is unfortunate that the requirements for new machinery or for replacements in this industry, are still imported from abroad, but it would not be an extreme or unwise expectation that, if the industry is kept alive and prosperous, there may be developments in this direction also.

The Committee note with satisfaction that the reference to the Tariff Board on this occasion would permit them to recommend, after due examination, a scale of tariffs that would give adequate protection. In the past there has been unfortunately a doubt on this subject on account of the vacillation of Government policy and the lack of its clear enunciation. The Committee have felt that previous recommendations of the Tariff Board not only in the matter of the textile industry, but in other directions, have been too hesitating and have therefore proved ineffective. Protection to an industry might mean either that sufficient support should be given to meet an emergency and to enable the industry to stand on its legs. There may be help to an industry to the extent to which it will be enabled just to exist without going into liquidation or without stopping production. There may, again, be protection to the extent of enabling the industry over a stretch of time to give a reasonable return on the capital sunk, or on the present day value of the capital equipment. There may again be support to an industry of such a nature that it will not only enable the best concerns in the industry to pay a dividend, but it would make it possible for weaker concerns also to survive and to strengthen their position. The Committee would invite consideration of the Tariff Board to this problem as to whether it is desirable on national grounds, while admitting the need of protection to the textile industry, to arrange protection in such a manner as to induce a flow of more capital into the industry. In other words, is the object merely to keep the industrial units now at work

just alive, or, is it the intention to enable them to prosper to such an extent as to render the textile industry attractive to investors and, by this method, to bring more concerns into existence and to render India self-sufficient in the matter of cloth? If more mills are set up and if they compete with one another, the internal competition would have the effect of reducing prices, that will give reasonable return not on the worst plant, but on the best. In the free scope of this internal competition, which one can believe, is existing in India, is the hope that protection given to the textile industry will not be a permanent incubus on the consumer, but will merely favour units established in India until such time as production has substantially expanded. The Committee are convinced that adequate protection should be of this dynamic character. Its aim should not be merely to ward off some immediate danger from the dumping of foreign cloth into India at a low price. Its aim should be to render such dumping out of the question. Protection should be so high that it would not tempt foreign producers to invade the Indian market, on which, they must realise that the first claim is that of the Indian producers.

In suggesting a through measure of protection for the textile industry, the Committee are not overlooking the larger question, which has been allowed in the past to loom unduly, *viz.*, the interests of the consumers of cloth. No moment would be more opportune for the adoption of full protection to the textile industry than at present, in the sense that cloth prices have reached the pre-war level. The consumer of cloth had to pay high prices for many years after the war when these high prices brought no benefits to India. The price of standard long cloth had gone up to anything from Rs. 2-10 per pound to Rs. 3-4 per pound, and it has now come down to 9 annas. The argument from the side of the consumers loses all its weight in a period of declining prices as at present, and in any event it is to the ultimate benefit of the consumer that the cloth for his requirement should be produced under the conditions of freest competition locally in India and should be available to him without the heavy incubus of transport and intermediate commission charges, which are inevitable in the case of foreign imported cloth.

The other aim of protection, which the Committee consider important, should be to eliminate such disadvantages as the Indian industry has, as compared with industry of other countries. The Committee feel that the Indian industry is handicapped in comparison with foreign producers in the matter of the initial price of machinery, and subsequently in the matter of imported stores, which have to bear not only transport and middlemen's charges, but also duties, which are heavy in some cases. The Indian mills stand at a disadvantage in the matter of the efficiency of labour, which has shown progressive improvement and which will certainly improve as time goes on, provided they are given a chance. The Indian textile industry had in early stages to import some of its superior labour, and are in some cases even now paying heavy salaries for this imported supervision. But this also is a factor, which will disappear with the process of time. The industry in India has another disadvantage, *viz.*, that it relies solely on the Indian market, and a period of temporary disability of the Indian consumer puts them in a serious quandary as they cannot average on the sale of their goods abroad. Such export markets as India had at one time, have been constantly shrinking, and their survival is extremely doubtful now that the home market itself has become the field for aggressive attacks from outside. In the matter of finance, the Indian mills certainly stand at a disadvantage through the defective banking organisation of the country, which demands two signatures. The average bank rate in India is much higher than the average of many other centres, certainly higher than the English bank rate, and it is not merely in the level, at which they borrow, but in the terms and conditions on which they borrow, that those in charge of the industry find themselves handicapped.

There are other disadvantages to the Indian manufacturer which will be seen by the Tariff Board in the course of their enquiry, such as very

heavy transport charges on rail on account of the great distances in the country. It has been stated that the charges from Bombay to Calcutta and Ahmedabad to Calcutta by rail are actually higher than the charges which cotton pays for transport from India to Japan and as cloth for being brought back from Japan to Calcutta inclusive. The Committee would like the Tariff Board to enquire into and consider this point, and even if the disparity is not so great, as is reported, it is a serious difficulty and if there was a national policy in regard to the Indian textile industry, it is inevitable that this question should be gone into. The Committee would like in connection with this that at least the interior markets in India should be reserved for the Indian textile industry and that, for the transport of foreign cloth from the principal port to the interior a special and heavy surcharge should be levied. This measure would have the dual effect of putting more money into the pockets of the Indian railways, which are the property of the taxpayer, and also to some extent of correcting the handicap in respect of transport, from which the Indian mill industry suffers.

There are, it would thus appear, certain permanent disadvantages, from which the industry must continue to suffer until India is self-sufficient in the matter of machinery and stores, and until the banking system of the country has made considerable progress. There will be found, on the other hand, several directions, in which some of the charges paid by the mills at present, and some of the elements of that cost, could be reduced by better organisation and progressive efficiency. Until that time the need for protection is definitely postulated, and it is urged that this protection should be given on an adequate scale subject to certain conditions.

The Mills in British India also have a disadvantage in comparison with mills located in the Indian States in the matter of laxity or absence of boiler inspection and factory law limiting the hours of working. The absence of income-tax, super-tax, and all municipal charges also gives an unfair advantage to concerns located there.

Apart from these elements affecting the cost of production of the Indian article, the other factor, which has always to be reckoned with, is one affecting the selling price. Whenever foreign imports are offered in the Indian market at a price lower than they are sold in the country of their origin, or at a price lower than that at which similar cloth can be produced and placed on the market in India, it is now usual everywhere in the world to consider this as objectionable. The economic practice in the world is no longer concerned with fine definitions of dumping, and since this process of penetration can arise through deliberate action on the part of organisers of trade in a foreign country, or their shippers or their carriers, or their bankers, or all of them, each country, which seeks to safeguard its industries, has now provided through the ordinary mechanism of the tariffs some means of immediate and prompt adjustment. With regard to India, these instances of dumping are by no means rare, but no immediate adjustment has been known in the past. Looking back, it may be said that, had some machinery existed of this kind, the Indian textile industry would have been in a much stronger position to give a fight than it is to-day. It may be mentioned for the information of the Tariff Board and to enable them to probe the very significant question deeper, that the actual indent price is not in all cases the final price of the foreign cloth. There are various rebates, various accommodations, various facilities with regard to D/A bills, low carry-over charges for interest and special commissions and rebate under certain circumstances, particularly when prices have fallen, or, are falling when competition has to be met. There are, further, on various occasions liquidation stocks of parties, who have paid in some margin money, but have not been able, for some reason or the other, to take delivery of the goods. Whether the percentage of such liquidation stocks is more in the case of India's imported cloth than in the case of local mill cloth, is a matter for the Tariff Board to consider. But, should these liquidation stocks be considerable, if not in normal, at all events

during such abnormal period as the last three years, they are bound to effect the marginal selling price and, through that, the wholesale price in the market, which Indian products can realise.

The Committee of the Chamber would refer to the general principle already enunciated and accepted as part of Government's policy in India, that, whenever an industry is protected, certain essential national conditions should be specified. While some of such conditions are common to all the industries, there are bound to be some variations according to the spread of the industry and the peculiar circumstances existing therein. On the principle that the textile industry deserves protection, because it is of national importance, the Committee would like to enunciate certain conditions calculated to improve the textile industry itself, and certain other conditions calculated to give an impetus to other organizations and industries also of national importance. The conditions are as follows:—

(1) All concerns affected beneficially by the tariff policy of Government should have a majority of Indian Directors and Indian Shareholders.

(2) All concerns benefitted by the tariffs should put all their insurance with insurance companies incorporated in this country.

(3) All mills should give preference to stores produced in India, and some part of the money received from the protective tariff on the foreign cloth should be used by Government towards subsidies to reputable concerns producing the stores required by the Indian mills, as also for technological research and instruction.

(4) The Millowners should encourage the use of Indian coal.

(5) That no new mill coming into existence hereafter should have a contract for management with a firm and should have it for a duration of more than five years. In other words, there should be no Managing Agency contract, and such contract should come up for renewal at the end of every five years.

(6) That old Managing Agency contracts should be carefully revised and that portion of these contracts, which provides for the continuance of management in the same firm or their heirs and assigns, at the end of the first stipulated period without a reference to shareholders, should be regarded as *ultra vires*. In other words, even in old concerns when the period of the present contract falls in, the contract should be subject to a renewal for the same period for new comers as provided in 5 above, by the approval of the shareholders.

(7) That Managing Agency contracts other than those, which fix the remuneration on the basis of profits (it should be net profits in all cases) involving the payment to the Managing Agents on the basis of production, or on the basis of purchase or on the basis of sale, should be regarded as void after the lapse of two years, during which period the Managing Agents could get a revised basis of remuneration on a fixed basis of profits accrued to the shareholders.

In justification for the above conditions, which are indicated, the Committee would like to make clear their attitude. They consider, that what goes out from the pockets of the Indian consumer should fall either in the hands of the State by way of tariff, or should go to strengthen the position of Indian concerns, *i.e.*, of Indian shareholders. Should it be diverted into the pockets other than Indian, the whole object and purpose of imposing a burden on the consumer would be defeated. In a regime of free trade and low tariffs for revenue purposes, this question could not loom very large. But in all countries, which have a system of scientific tariffs calculated to build up the industries behind a tariff wall, this question has been attended to, and in some manner or the other, there is watchfulness that the benefits

of tariff should not fall in alien hands. There is no intention on the part of the Committee that any existing concerns should be penalised, but it is very necessary, in order to lay the foundation properly of a policy, which appears to be unavoidable through the economic necessities of India, that the general principle must be clearly and properly laid down.

With regard to the question of supporting Indian Insurance companies, it is not merely on grounds of sentiment that this suggestion has been put forward, but because insurance companies are agencies for collecting the savings of the people, and foreign insurance companies working in India have no obligation at the moment to keep their premium income in this country or to invest their reserves or their funds in India. The diversion of these funds collected from Indian industrial units to a foreign market, imposes a disability on the Indian money market and raises the level of monetary rates all round, which penalises all Industries, including the textile. It is not intended that the regular business of any foreign company in this country in the matter of fire and other insurance in connection with the textile industry should be taken away. What is intended is to induce them to be incorporated in this country and to carry on their business in the usual manner. It is the opinion of the Committee that it is only the companies registered in India that contribute at all times fully to the Indian income-tax revenue, and by one process or the other foreign companies manage to under-pay. It would be impossible to envisage a correct economic policy in relation to the textile industry with reference to tariffs alone, without simultaneous attention being paid to points of this nature.

The Committee have taken great interest in the question of the production in India of various items of stores required for the textile industry. They recently organised an exhibition of such manufactures and it is their conviction that in the matter of quality and price, it is not only possible theoretically, but it has now been demonstrated that requisite articles could be produced. The producers of these articles are in many cases suffering not only from the prejudice of the users in favour of the imported article, but also from real disabilities in the nature of getting the proper raw material, or in the matter of excessive and heavy tariffs on the raw materials, which they use. It is the fundamental principle of a protective system of tariffs that there should be some kind of linking between cognate industries, so that progress may not be one-sided, but well supported with parallel growth on all sides. For this purpose it is in the interests of the textile industry itself that, greater effort should be made in this direction and, in order to encourage these efforts, the means, which would be found more economical and less objectionable to the user of these stores, *viz.*, the textile industry, would be a survey of the article produced and a periodical report on the articles, which are still imported and not being produced in India. The other measure, which is necessary, is the granting of subsidy on the basis of quality and of origin in the matter of articles of general requirement for the textile industry, spoken of generally as 'stores'. The Committee fear that any such recommendation involving a burden on the taxpayer may be turned down, and they would, therefore, suggest that a part of the increased revenue from additional duties on cloth, in order to give adequate protection to the textile industry, may be set aside for this purpose. It is in the ultimate interest not only of the textile indusry, but of the consumers of cloth, that India should be made self-sufficient in the matter of these stores. Japan, America, Germany and other countries, which have made an advance in the textile industry, have not been found negligent in these matters to the extent to which such negligence appears to be the case in India, and the Committee are very strongly persuaded that this is because they have a well thought out economic policy, whereas in India there has been a policy in the past of pure drift. The Committee cannot absolve the textile industry altogether from blame for this lopsided development and deficiency in India's industrial growth in these directions.

With regard to the question of the managing agency the Committee would not like to go into the same in detail. The point has already been considered by the previous Textile Tariff Board and has subsequently been considered by a Public Committee, *viz.*, the Indian Central Banking Enquiry Committee. The Committee are in general agreement with the views expressed in the Minority Report, an extract from which is appended herewith. It would be dangerous to allow any further period of time to elapse before the necessary reforms are introduced in this direction and, while it is true that the question affects not only the textile but other industries, it would be a grave omission from the recommendations of the Tariff Board, if they did not bring out the defect of the managing agency system in two directions, *viz.*, in the direction of raising costs and in the direction of absorbing too large a share of earnings and profits so as to check the flow of new capital investments. These points could be dealt with even if the Tariff Board were fully satisfied that under this system efficient management is not only possible, but actually prevalent in most concerns. The Committee are convinced that the managing agency system has had its day and, whatever good purpose it may have been intended to serve, its uncontrolled continuance could not but prove serious harm. The suggestions Nos. 5, 6 and 7, are therefore conceived in a spirit of conservatism so as to involve the least departure from existing conditions, but the Committee think that this much change is called for in the interests of the industry itself.

It is not proposed to answer *seriatim* the questionnaire, which has been issued, as it is expected that the same would be dealt with by the various technical associations representing the industry. But, on some of the questions large principles affecting trade generally arise, and the views of the Committee are expressed hereunder.

1. The attention of the Tariff Board may be drawn to the fact in technical economics known as dispersion in competition. It is notorious that in India there is no question of quality. There are various classes, which are content to purchase whatever they can afford and whatever they are given cheaper. Cheapness rather than the quality has been unfortunately the governing principle in dealings for the Indian market, and for this purpose the Committee must take exception to the suggestions in V and XV of Mr. Hardy's report. In fact in XVIII Mr. Hardy himself admits that cheaper imported cloth competes irrespective of quality with the local cloth and the governing factor of such competition, which is not as indirect as he implies, is price and not quality. With regard to XXI it is not true that artificial silk cloth competes with silk goods rather than cotton goods. Artificial silk and mixed cotton and artificial silk fabrics come also in direct competition with cotton goods, and, on account of the extraordinary cheapness at which these have been placed in the Indian market, they create a problem by itself. The view of the Committee is that the consumer will not be penalised unduly if artificial silk cloth and mixed cotton and artificial silk fabrics were singled out for special treatment either by complete prohibition thereof, or by a prohibitive tariff on their entry.

3 & 5. The prices in the wholesale market depend on the price quoted for similar description of cloth either by the Indian mills or by the import houses for Japanese and Lancashire mills. When the import price is cheaper, the effect is not always straightaway transferred to the users of the Indian cloth, where wholesale merchants have already contracted with the mills for forward delivery. But effect is felt in new contracts and the relative amount of additional Indian cloth going into the market or additional imported cloth going into the market at the new reduced price, depends upon the stocks in the hands of the wholesale merchants engaged in the respective trade. The wholesale merchants themselves have often to lose under conditions of a falling market and in that case they approach the mills for new lot being given to them especially low in order to enable them to average. The Committee would consider it very extraordinary and most unusual in the long run and over any stretch of time that Indian mills could realise a

greater price for their cloth after similar imported cloth has been offered at a lower price. This would be the condition in central markets like Bombay and Calcutta, and not necessarily in isolated markets within the distinct sphere of influence of the local mills at interior centres, such as Indore, Cawnpore, Allahabad and Madras.

Where imported cloth of similar quality is offered at a higher price, the tendency of the Indian mills would be to realise the same higher price, but against this tendency is the internal competition, which is very severe. This competition is modified sometimes by the question of an earlier delivery, and a mill may occasionally realise a higher price, because they are in a position to supply and manufacture earlier, but, if the time element were eliminated, the competition is undoubtedly very severe, and any suggestion that the price of Indian made cloth remains high and thus penalises the consumer, is untenable when the stocks are plentiful and when the demand has not gone beyond the productive capacity of the mills. In recent years, such circumstances have certainly not arisen and where prices of imported cloth are falling faster than the prices of the local cloth, such circumstances cannot arise.

6. At a certain level of protective duty production takes place on the basis that, those centres that are advantageously located, or have any other points in their favour, make greater profits. At any particular time some centres in relation to others and some factories at the same centre in relation to others must be located less disadvantageously. Those who are making greater profits are prone to expand their concerns and at those centres more concerns would come into existence. Such expansion has been going on. But any effort to estimate the rate of such expansion, which depends upon more causes than merely the existence of a certain level of duty in its relation to different centres, would not be very conclusive or useful. On the other hand, the removal of the present level of duties in 1933 may conceivably harm some centres more than others, and the harm must reflect itself ultimately in slackened production all round and not merely at some centres. The suggestion that the total failures of some centres would give greater incentive to some other centres if the same were brought about by the withdrawal of protection, is not tenable, because, failure at a certain centre may mean the loss to existing shareholders and the stoppage of the factory for a short time, the inevitable process of liquidation and the transfer in the hands of the creditors or debenture-holders, who would start on a lower capitalisation. They may also be possibly under a more competent management. The stoppage of an industry through a period of acute depression, which would be the result of the removal of protective duties in 1933, may not take the form of the displacement of production, but may only take the form of the wiping out at some centres existing holders and transferring the ownership of the factory into other hands. Capital equipment located at one centre will not move out of that centre for a long time after it has been demonstrated that all the units cannot be worked profitably. The growth of the industry in India has been greater with regard to mills located in the interior than with regard to mills located in Bombay, but that is with reference to new mills only.

10 (*vi*). Hand spinning in direct competition with machine cannot stand, but hand spinning as a means for the utilisation of surplus labour, which would be otherwise wasted, for the addition of a very small amount to the family budget, has come to stay in India and will continue so long as conditions of extreme poverty exist. Where the yarn spun in this manner is woven into cloth on handlooms in the interior and made available directly to the users without the intermediation of the process and the sale and the purchase, hand spinning has an advantage and has a real economic basis. Such cloth, however, cannot stand in competition with mill made cloth, whether imported or local, either in appearance or in price. It can seldom bear the cost of transport to the central market for being redistributed from that market. Khadi is a very useful economic activity for cotton producing districts in

India for the supply of cloth direct to the farmers, whose women would do the spinning. But, when it enters the field of commercial operations, it suffers many disadvantages. The natural protection is the cost of transport of the mill made cloth from the producing centre to the consuming centre. To the hand spun and hand woven cloth, the mills are as much a menace as the imported cloth or even more. To the extent to which tariffs have the effect of maintaining prices of mill made cloth in India, *i.e.*, of preventing them from falling below uneconomic levels, the tariffs would certainly help hand spun and hand woven cloth. The same effect has been worked out, *viz.*, the effect of such duties on the price of yarn produced by Indian mills.

11. The Indian textile industry offers a market to the cotton growers of India and it gives a mutual co-operation as the growers of cotton are also the consumers of cotton cloth. Indian economic life would be much weaker if India were producer of cotton merely for export and had to rely for her cloth on import. Since the cotton produced in India is only partly exported, it is an item of strength to the cotton grower, but on the portion, which is exported, he takes a risk of the buyer economising or turning elsewhere for his supply either permanently, or whenever Indian cotton is in parity, or, where any other extraneous exchange or other factor intervenes. It is to the interests of the cotton grower of India that Indian mills should expand production, so that a still larger portion may be earmarked for Indian consumption, leaving only a smaller portion to the vicissitudes of world trade.

12. The Committee were opposed to the imposition of duty on the import of cotton in India, which, in their opinion, was done for revenue purposes only. The suggestion that it would help the growth of long staple cotton was merely a general suggestion. The Committee were not aware that the position was examined by anybody as to at what level of price and what scale of duty bringing up that price would induce the growth of long staple cotton in India. The question of the growth of long staple cotton in India is complicated, and there are many other points to be considered from the point of view of the grower than merely the price, which it would fetch. Relatively the advantage to the grower has been in the growth of short staple cotton and the imposition of the duty during the year when even in this established line the grower could not get enough to meet his costs, is altogether inconclusive, from the point of view of the query as to how far the duty would assist the agriculturists. It is lamentable that Government research in these directions and the efforts of Agricultural Departments in so many places have not proved a conspicuous success, and their failure through other causes could not, in the opinion of the Committee, be made up by the imposition of duty on imported cotton.

13. Whatever the object of this query may be, the Committee would like to point out that to their knowledge there are not many kinds of cloth, which are imported, but which are not being produced in this country. It is true that all mills have not equipped themselves with bleaching machinery and many mills are not fully equipped with the dyeing plant necessary for the production of every description of current cloth. The indirect competition between the imported and the Indian cloth is irrespective of quality, but the direct competition is also there, and the Committee would like the Tariff Board not to judge the volume of competition by the fact that larger quantities of bleached and coloured cloth are imported than are produced in this country, but to view the situation in respect of keenness of competition by the fact that, Indian mills attempting production in these directions have to compete with older and established concerns located overseas and if at all from the point of view of a scientific scheme of tariffs, the amount of protection, which they should be given, would have to be greater and not less. This is being indicated as the question in the form, in which it appears in the questionnaire, is capable of the other implication.

29. The Committee have nothing to say with regard to the rates of depreciation allowed for income-tax purposes, except that, where a mill is working on double shift, higher depreciation is not at present allowed, and the correspondence, which the Committee had with Government on this subject, has been unsatisfactory. The same is enclosed herewith. According to the Committee's information, greater depreciation is allowed for mills and factories working double shift in the United Kingdom, and even if it were not so in the United Kingdom, it only stands to reason as the wear and tear during night shift is actually greater on account of the carelessness of the men and inevitably smaller supervision at night than is possible during the day. No mill goes on night shift unless it is profitable to do so, and since such profits are liable to assessment it would seem very unfair that the income-tax authorities should not make allowances for the extra depreciation for night work, which have enabled these taxable incomes to accrue.

31. The banking system in this country is, in the opinion of the Committee, extremely defective and is further labouring under a bad tradition, probably the outcome of certain clauses of the Imperial Bank Act, which require two signatures, but the two signature rule, though not compulsory for other banks, has been adopted by them and in the case of the mill company, the position unfortunately has been that mill companies cannot borrow except on the joint signature of the company through two directors and of the managing agents. The second signature is obviously the case of a guarantor. If the assets of the mill itself become the basis of credit, then the additional guarantee of the second signature should not be necessary. The result is that even good mills, when the private financial condition of the managing agents has been weakened, suffer. In any case the banker himself does not take care to assess the credit—worthiness of the enterprise as such on the basis of the assets of the company. Some of the banks would not lend against the block of the company at all, and others would lend only against liquid assets on margin. Thus a mill company, whose block is worth fifteen lakhs and whose liquid assets are worth ten lakhs, would in some cases be able to borrow not more than six to six and a half lakhs and that with the additional guarantee of the managing agent, who may be worth anything from one to fifty lakhs. Such a system is obviously unsatisfactory. Its existence merely in India and possibly in one or two other places in the East, but nowhere in advanced countries of Europe, America, or in Japan proclaims it as archaic and as undesirable and calling for reform. It is not for the Tariff Board to do more than to draw attention to this thing, but since every disability in acquiring working capital raises its price and tells in the long run on the competitive capacity of the industry, the Committee have mentioned this here.

The system of direct deposits is fast breaking down in Bombay, though its vogue is still unabated in Ahmedabad. This is also a point, which has been dealt with by the Central Banking Enquiry Committee, both the majority and the minority reports, and until the banking system improves, the Committee would like to entertain the hope that the system of direct deposits will not altogether disappear.

When Government raise their borrowing rates on postal certificates and when Government issues Treasury Bonds at 6¼ per cent. (capable of escaping income-tax through deposit through the post office), it is the considered opinion of the Committee that a lot of money, which would have gone into banks as deposits and which would have gone to mill companies as deposits, was diverted. On this question also both the majority and the minority reports of the Central Banking Enquiry Committee speak eloquently, pointing out how the policy of borrowing by Government should be such as to incommode trade to the minimum extent and not in the manner in which unfortunately it has been the case for some years in India.

The money borrowed by mill companies for working capital takes the form of—

(a) debentures,
(b) finance by the managing agents, and
(c) loans and cash credits from banks.

The rates for such debentures have been heavy and the possibility of floating them successfully has not been always there. The need for special institutions to finance industry, which will appraise the credit of the concern and give loans, that would be good for more than one year, has been indicated in the reports of the Central Banking Enquiry Committee. The financing by managing agents has in recent years led to much comment in connection with certain companies, where the managing agents insisted on the mill company guaranteeing the return in gold dollars. The Committee understand that the Shareholders' Association have given the details of this to the Tariff Board and they would not, therefore, dilate on this issue here. The loans and cash credits from banks are generally for a year or two, but are technically often terminable on demand. Even a prosperous and well-managed concern, if it borrows at all for working capital, would not have the cash, but would have the goods, and a condition involving so much safety for the lender and so much risk for the borrower does not seem to be altogether a happy condition. The rate in such cases is as a rule one per cent., over the bank rate, and in this connection the Tariff Board will doubtless know that the average bank rate in India in comparison with the average bank rate in Lancashire and in Japan, is higher. In connection with Lancashire, the scheme, by which special loans were to be given at 4½ per cent., in which all the big banks were to co-operate at the instance of His Majesty's Government, may be contrasted with the action of the Government of India at the same time, who not only raised their borrowing rates and diverted much money, which would have gone to the financing of the textile industry, into their own pockets, but gave no direct assistance in the matter of cheap finance to the textile industry. The Committee understand that even the offer made of giving cheap finance for a considerable period on condition of rationalisation and reconstruction was hedged with many terms and, because this scheme of 'pooling,' which has not been found to be practicable even in the United Kingdom, cannot be carried out in India, that offer of financial facility appears to have been withdrawn.

32. The Committee are very glad that the question has been raised direct by the Tariff Board as to whether what goes into the pockets of the managing agents, is "a fair standard of remuneration". The remuneration should be reckoned as the charges for management and should be compared with similar charges in other countries. All the concerns in the textile industry do not suffer equally from overcharge, but there are many managing agency contracts involving payments to the managing agents either on production or on sales, or on purchases, or profits before depreciation has been reckoned, to which there would be no parallel anywhere in the world and which undoubtedly absorb larger sums for management than are involved in the management of industry elsewhere in most of the countries of the world. It has been represented to the Committee that the textile industry would be *non est* if there was any interference with the activities of managing agents, or with their terms, conditions, and their remuneration. The Committee, however, have no such apprehension and have already indicated in a previous paragraph the need of immediate reform even if it should not go to the fullest extent and even if it were not too drastic to start with.

33. For the purposes of this question it is necessary to define the term "Managing Agents". Any employee of the Company, which found charging the Company more than what has been actually laid out for any services or commodities purchased by the Company, or, who does not give credit to his employer for any return of commissions or rebates, which are received, is under the common law considered a thief and would be

liable criminally. Why Managing Agents should not be regarded and defined in law as servants of the Company whose responsibility in these matters should be the same as that of an ordinary employee to his employer, the Committee do not know. Until this is done, there is a large amount of fiction of the "Managing Agency firm" being engaged in trading and agency business of different kinds, and they are not answerable when they do such trading and make profits even at the expense of concerns, whose Managing Agents they are.

35. The Committee have on previous occasions urged for a revision of the Companies Act, and they understood from Government that such revision would be adopted after the new Companies Act was inaugurated in the United Kingdom. This has been done in 1929, but there is no sign in India for the much needed revision of the Company Law, of which the change in certain sections and the addition of certain new sections would go towards the elimination from the management of the textile and other industries of the evils of the managing agency system. If the system cannot be cured and brought within reasonable bounds, at least to eliminate the obvious perquisites and payments taken by the agents in excess of the standard and proper rate of remuneration for management, the system should be altogether ended. An early attempt to consider the Company Law as a whole, and this matter in particular, will, the Committee trust, be made.

Some portion of this question is covered by the preliminary note, and it is expected that the rest could be dealt with adequately by technical associations and organizations representing labour.

35. (iv) & (v) These two questions are interconnected. Specialisation of a particular mill entirely to one kind of cloth would be greatly facilitated by amalgamations or pools for selling or some kind of effective working arrangement between the mills. The vested interests of Managing Agents are undoubtedly one of the serious deterrents and, on further enquiry it is expected that the Tariff Board will discover that this was one of the principal causes for the failure of the rationalisation of industry and the pool, for which preliminary enquiries and valuations took place some time ago. The specialisation of one mill on one kind of cloth would smoothen the work of administration and would eliminate much cost, but it is not possible if the range of machinery is from what was installed in the days of Adam to the latest frames added. There is also the question of waste, which must be economically disposed off and which is at present partly utilised for working the lower counts. There is further the question of the sale of cloth, which takes place at present through different channels, and every selling agent demands as large a range of products as possible, in order that the wholesale merchants can satisfy the wants of their constituents from the same source and can also play off one mill against the other in striking a suitable bargain.

In any case it appears to us essential that one or two large organisations should come into existence exclusively for the purpose of the export trade in cloth on the Japanese model, even if for the time being the liberty of individual exporters in the matter of cloth is not restricted. A combined sale organisation in different markets is essential in order to ensure quick decision when prices are falling, so as not lose the market altogether. The individual exporter is only concerned with making his two ends meet, and if a particular market, in which he has a footing, is invaded by aggressive dumping from other manufacturers, he seeks his market elsewhere without any regard to the consequences and often without even the knowledge of the producers that they have been knocked out of a particular foreign market. The appointment of commercial representatives on the part of India has not proceeded as fast as this Chamber desired, and it would be for the Millowners' Association to say how far they have failed to receive any assistance with regard to markets abroad. The trade figures indicate that India's position as exporter of cloth is being weakened everywhere on the Continent of Africa, in Arabia and in Persia,

35. (vii), (viii) & (ix) The view, which the Committee take on these questions, is that, if what may be called the pitch or degree of protection recommended by the Tariff Board and sanctioned by the Legislature is adequate, it would only be just and fair that the legislature should have the power of imposing suitable conditions, some of which may appear harsh to individual concerns and to individuals with vested interests, but which are in the long run calculated to secure robust growth of the industry and to enable it to stand in open and free competition. Protection ought not to be the means of perpetuating obvious defects in organisations merely because the community is used to seeing defects and the interests of highly placed individuals stand against the proper re-organisation of the industry. What the legislature should keep in mind is the interests of the shareholders, who have invested their capital in the industry, and of the labour, who are finding their livelihood in this industry. It is the retention of wealth in India and the creation of more wealth, which should be the objective, and this central idea should overcome in the end objections against proper account being kept, against concerns receiving protection being placed on the basis of an up-to-date valuation and being called upon to restrict the dividends until they have made adequate provision of reserve for the replacement of machinery and for any other conditions, which the industry may have to face. At the same time, the Committee are confident that all genuine difficulties, which are brought to the notice of the Tariff Board, would be considered and a way out would be found, which would be fair and which would, while imposing suitable conditions in the interests of the community, not be unduly provocative or too drastic and too rapid.

35. (x) It is not the desire of the Committee to comment on the organisation and activities of the Millowners' Association, but it may be mentioned that, beyond maintaining statistical record, their work in other directions does not appear to have been very helpful. The most promising step, which they have taken so far, is in respect of insurance in the matter of Workmen's Compensation. But why such co-operation between their members should not go to insurance against fire as well, the Committee have never been able to understand, unless it is the vested interests of managing agents in the agencies of foreign insurance companies, which they maintain and from which they get rebates, which should, properly speaking, go to the mills, but which are credited to their own account. Unless co-operation is instituted in directions, where the advantage is obvious and the difficulties are not serious as in the matter of insurance, the Committee have no hope that co-operation should come forth at the hands of the Millowners' Association in the more serious purposes such as are indicated in the question with regard to the purchase of cotton. A most important thing which the Millowners' Association can do is indicated in earlier paragraphs with regard to watching India's interests in foreign markets and setting up large organisations calculated to act immediately not in the interests of one manufacturer or of a wholesale merchant, but in the interests of the industry as such.

38. The Committee would invite the attention of the Tariff Board to the telegram, which they sent to the Government of India on this subject on the 29th June, 1932, which is reproduced hereinbelow and which speaks for itself:—

"Committee, Indian Merchants' Chamber, invite Government's attention to serious situation of indigenous articles with which imports from Japan compete particularly the Textile Industry owing to the collapse of the yen and exchange and cotton operations of Japan. Committee feel need of immediate interim action in the nature of special heavy tariffs to counter this position. Committee regret that Government should still persist in their policy of keeping the rupee still linked with sterling when disastrous consequences occur to Indian producers and manufacturers. It is hoped that Government will now leave off

their mistaken exchange policy. Committee request Government should consider measures and if they desire consultation with representatives of Commercial Bodies Committee will send representatives as early as Government desire."

39. This question is partly covered by the preliminary note. In regard to tariff rates, it has been indicated there that the rates should be adequate, and the error if at all should be on the side of more protection than less as the result of a too minute discrimination has been disastrous in the past. The same considerations apply to the fixing of the period. It is true that things are changing rapidly in the world, but they are also changing for the worse, and unless and until a machinery is set up on the model of the United Kingdom, or some of the continental countries, which will keep a watch and adjust the tariff policy at once to a new situation without any reference to the legislature the period for which protection should be fixed, should not be three years, but seven. The only argument against a long period is that, if things improve quickly, the benefit going to the producers would be considerable, and the consumers of cloth will be penalised. The benefit going to the producers would partly flow back into the treasury of the State from income-tax and would partly go into the expansion of industry, particularly if there is some restriction over the dividends during the period. This would not be at all an undesirable result, and the apprehensions against a longer period should be therefore not taken too seriously.

The Committee would deprecate any attempt to break up tariffs into several classes, either by the qualities of goods or by the country of origin. Where duties are *ad valorem*, the question of the class of goods works itself out at once. On the ground that India is backward in the production of finer qualities, the tariffs for finer qualities should, if at all, be higher. From considerations of scientific taxation, on the basis that the finer qualities will come into the use of that class of the population, which has better resources the duties on cloth produced on finer counts, fancy cloth, on bleached cloth and on superior quality of coloured and printed cloth, should be higher.

With regard to the arrangement for making distinctions in the scale of duties on the basis of the country of origin, on the strictly economic ground it may be pointed out that, if the period of protection is long, such distinction would result in great anomalies. The growth of importation of a certain class of goods from Italy some years ago, and from Japan in recent times, would indicate that the danger to the Indian industry might arise suddenly and from an unexpected quarter, and any arrangements, either on the basis of the past, or on the present basis in favour of any particular non-Indian manufacturer, might defeat the whole object for which the Tariff Board is sitting and for which the legislature would institute protective tariffs. In this connection it may be remembered that tariff is only one of the factors leading to the selling price of foreign cloth in India, the other important factor being exchange. The Committee feel that the exchange policy of the Government and the pegging of the ratio at 1*s*. 6*d*., when the whole country wanted it at 1*s*. 4*d*., has undoubtedly hit the organised production in India including that of textiles. Recent experience in the matter of the yen also shows that tariffs alone are powerless to grant that protection to an industry which, it must be presumed, the legislature really intended to grant.

From the political point of view, charity should begin at home and if the claim of the Empire is to be considered at all, the claim of the Indian manufacturer should be acknowledged as supreme, and if the Empire products are to be protected against non-Empire products in the Indian market, then the principle that the Indian products must be protected at all costs even against Empire products, must be not only enunciated but a suitable machinery must be provided to enforce it. Unless India has a definite *quid pro quo* from the Empire, any preference in favour of Lancashire in the Indian market is to be deprecated, as it will not only bring

about retaliation from India's important customers, but may prevent the growth of manufacture of fine cloth, which is already under way and which is giving good promise. The Committee would therefore condemn any attempt to differentiate duties with regard to the country of origin. They would suggest that a basic and substantial duty, which should be uniform, be levied on foreign cloth entering India from everywhere; which should in itself be such as to guarantee a fair return to those concerns that may be regarded as fair average specimens on the Indian standard. The Committee trust that there will be no differentiation in relation to the country of origin, but if after mature consideration any such differentiation is coming on a clear conviction that there is an advantage to India —the Committee very much doubt this contingency—then the basic duty at all events should be very high and any preference should take the form of additional duties rather than reduction of the basic duty in favour of an individual country.

40. Specific duty is an advantage from the point of view of collecting the tax as well as from the point of view of enabling the manufacturer to know where he stands, provided it is a uniform specific duty as it has been in the past. Specific duties fail in their object when prices rise and a machinery for quicker adjustment is therefore required under these circumstances without any reference to the legislature. A provision should be, therefore, made to empower the Collector of Customs, whenever the specific duties fall below a certain percentage of the value, to increase the same at once without waiting for the orders of Government, and to report the same to the Commerce Department. Specific duties have also the effect that the same rate gives a different percentage of duties on different qualities of cloth ascending as we go down to the lower counts. This would lead to attempts on the part of the importer of foreign cloth at evasion by means of the import of ready-made clothing, shirts, caps, etc. As such things not only hit the manufacturer of textile, but also take away wages from local tailors, provision must be made against such evasion in the case of coarser cloth, on which the incidence of specific duties is heavier. When prices fall, specific duties go beyond the percentage intended by the legislature, and become an item of heavier taxation, benefiting incidentally any established industry which may be in the country. This has been known to be the case with regard to sugar in India, but the Committee do not regard it as a very serious risk in the matter of textiles, as prices are fairly low to-day. Should this situation arise, it would mean more revenue for Government without the consumer feeling the extra burden, as the total cost to him will not be increased. It may incidentally mean a greater degree of protection to the textile industry, which would lead to the growth under conditions of full internal competition and therefore this would also be ultimately in the interests of the consumer.

43. The Committee have already indicated that cloth made from artificial silk has played more serious havoc in India not only against local manufacturers of silk but also against certain classes of cotton textile. The improvement in its quality, which renders it less fragile than before, shows that the danger is still great and it would be against national interests to allow an established industry of the country to be invaded by a foreign product, the possibility of whose production is yet very far. Under the circumstances it is suggested that the interests of the community would be best served by shutting out the importation of cloth made from artificial silk altogether either by total prohibition, or by prohibitive tariffs.

With regard to the import of artificial silk yarn, opinion in India appears to be divided. There is a school strongly urging the total prohibition thereof. Some of the Millowners have advocated the continuance of such imports and they were right in this advocacy so long as the import of foreign cloth of mixed cotton and artificial silk was free and was competing against them. The Tariff Board would have the benefit of close consultations with them on this point, but the view, which the Committee take with regard to artificial silk, is that the bulk of the population in

ignorant and incapable as consumers of knowing their own interests in the matter of the artificial silk, which has a very attractive appearance at the time of purchase, but whose durability is notoriously meagre. Why the interests of a few traders should be allowed to inflict on a large section of the community this injury, until they become by experience more wary, the Committee do not see. The Committee therefore trust that it will be in this spirit that as severe a restriction as possible in the economic interests of India, would be placed against the imports of artificial silk yarn and cloth of mixed cotton and artificial silk.

44. It has been already made clear that the real interests of the Indian textile industry, which has in Bombay, Ahmedabad, Madras and Cawnpore, begun to turn to the production of finer cloth, are in the direction of a heavier duty on this kind of cloth than hitherto. From the point of view of the consumer, most of the qualities coming from the United Kingdom cater for the wants not of the peasant, nor of the miscellaneous rural population, but of the better class people. In the opinion of the Committee, the State would be giving up revenue without any corresponding benefit to the general consumer of cloth if they reduced the duty in favour of the United Kingdom. The interest of the Textile Industry in protective duties is very real as on it depends the rate of progress of the Textile Industry in the country. If industry expanded at a very rapid rate, Government would lose the revenue, which they expect from protective tariffs, but the rate of expansion has not been so rapid in the past as to give grounds for apprehension. If and when the production of cloth increases in India, to that extent the revenue from protective tariffs would disappear, and Government will more than recoup from the retention in India of many crores of rupees by way of wages, the creation in India of a larger market for the consumption of Indian cotton, whereas, in Lancashire goods, it is the American and Egyptian cotton which is coming in, larger returns in respect of income-tax, railways and in many other ways. Until a definite *quid pro quo* is demonstrated to the satisfaction of the Indian commercial community the Committee of the Chamber do not see any economic advantage in preferential duties to the United Kingdom. The Textile Industry has been the instrument in the past of raising wages and the standard of life amongst a certain class of people and placing it higher than the perpetually deteriorating agricultural standard of life. The growth of the textile industry would be one of the material factors helping towards the maintenance of a higher scale of wages and a higher standard of life, and if preference to the United Kingdom means that this progress is to be sloped down, and that wages, which should rightfully go to the Indian workman, are to be paid to the workmen of mills in Lancashire, India is at a distinct disadvantage. It must be remembered that it is from the distributed wages of organised industries that a substantial demand for cloth arises, and the interaction of these forces cannot be ignored either because of the selfish insistence of Lancashire, previously enforced through the hated excise duty, and the imposition of principles of free trade on India politically and now sought to be enforced through the so-called voluntary acceptance by India of the economic unity of the Empire and of preference to Empire goods in return for a distinctly inferior status within the countries constituting the Empire.

45. In addition to the tariffs, it has been already indicated that some method of automatic and quick adjustment to exchange changes, which nullify tariffs, is required. It has also been indicated that a special 50 per cent. surcharge should be levied on the movement of imported cloth from the ports into the interior, while Indian cloth should move at the standard rate. The subsidies for the production of stores required by the mill Industry have also been mentioned. Greater attention to technology in relation to textile is required than has been given in the past, and the Millowners and Government should between them do more than has been done hitherto to secure superior training for men, who at present train themselves by rule of thumb in the factories.

ANNEXURE.

Extract from the Minority Report of the Indian Central Banking Enquiry Committee, 1931, page 330, paragraphs 322-3.

322. *The Managing Agency System.*—It is impossible not to refer to the managing agency system in connection with the question of the finance of industry. The practice of managing agency varies from industry to industry and from place to place, but it is said that in many places the managing agents have placed substantial funds at the disposal of industrial enterprises in their charge. Realising that parties, who have funds are anxious to secure sound investments, there should be no room for surprise, that loans are given to enterprises, whose affairs are not only fully known, but controlled by the investor. This result could also be brought about by the practice of banks asking for guarantees, or the managing agents' signature to the promissory notes, whenever they lend to industrial concerns. A better test of the question would be, not the amounts, which the managing agents have lent to concerns under their control, but the amounts, which the managing agents lost by doing so. No figures were available to us in our enquiry, but information on this head will be most illuminating.

The system of managing agency in industry in a peculiarly Indian phenomenon, having no counterpart anywhere in the world. In its origin, it is probably a continuation of the large trading houses, which engaged indiscriminately in banking, industry and other activities. The frequent changes of domicile of men, who became old, from amongst the pioneers of European enterprise in India, might have strengthened it, but the system is old fashioned and it has outlived its utility. It is disadvantageous to the shareholders, whose interests always come second to those of the managing agents. It has now held the field in industry to an alarming extent. New Industrial capital could be drawn and new concerns could be promoted with ease only through the great established firms of managing agents. Outside of them, they would have an uphill task. This is not a healthy situation, as it does not augur for extensive development of industry. Managing agents have contracts with provision not only for long periods but for their perpetual renewal, and often the managing agents could not be got rid of, except when they resign. Some of the contracts involve payments to the managing agents, whether the company makes a profit or not. Some of them involve payments to them on purchases for the company, and some on both. In some cases, the managing agents get their commission on production, without any reference to the condition of the company. The managing agency system thus absorbs too large a share of the profits and makes industry as a whole less attractive to the investor. It, therefore, tends not to encourage, but to check the flow of capital in industry. Ancillary activities of managing agents, who are known to speculate on the stock exchange in the shares of their own concerns, also lead to the same result. The managing agents take advantage of a rise of prices to boom their shares and unload them at top level, leaving the public to hold the baby. In this, they not only play with loaded dice, but they discourage the *bonâ fide* investor and give to industrial investments, a bad name.

The managing agents' commissions (contracts) have been the subject matter of sale and transfer without any reference to the shareholders and without any idea of the consequences on the industry. When managing agents speculate and lose money, the credit of the concern under them is reduced or destroyed. The shareholders, who have purchased shares on the basis of the personal reputation, efficiency and competence of some partners in the managing agents' firm, may find themselves, without any notice, faced with the control of new parties, who may be young, or incompetent, or completely unfit to carry on the work. However, the system of the transfer of control of industry by heredity or by sale to parties not approved of by the company, is one, which must be put an end to by

law, and it is recommended that when the revision of the Companies Act is undertaken by the Government of India, the introduction of reforms in this direction should receive their attention.

323. The weaker and less desirable side of the managing agency system portrayed in the above paragraphs, need not be assumed to be of universal application, but it cannot be denied that it is inherent in the system. Wherever they exist, they are responsible for the weakness of industry, which no financial measures can overcome. It is the business of law to countermand everything, which will deter the flow of capital into industry. A provision, which demands the contract for management being limited to a certain number of years and being good during that period, only if a specified individual is able to offer his personal services, will not work hardship on most industrial concerns, that are managed by capable partners of managing agency firms. But a provision of this kind will eliminate, wherever it exists, the additional risk to industry arising from the death or financial weakness of the active manager. Under these contingencies, concerns in India, otherwise on a sound basis, have been known to have passed into incompetent hands with fatal results, without the shareholders of the Company having any legal power to intervene for their own safety.

The managing agency interest often represents promoters' charges, which ought not to be a drag on the enterprise for ever. Sometimes it represents a capitalised goodwill, which a new party purchases in the belief, that it gives him a full right and title to squeeze the concern to his advantage within the law. Under a managing agency system it is inevitable, that the concern should pass on into weak hands with the passage of time. Over a large series of years, it involves Indian industry into jeopardy, to which rival industries in other countries are not subject.

Enclosure.

CORRESPONDENCE PASSED BETWEEN THE COMMITTEE OF THE INDIAN MERCHANTS' CHAMBER, BOMBAY, AND THE CENTRAL BOARD OF REVENUE, REGARDING INDIAN INCOME-TAX DEPRECIATION ALLOWANCE FOR MACHINERY RUNNING OVERTIME.

I.—*Letter No. 4047, dated the 29th December, 1930, from Chamber, to the Central Board of Revenue.*

"I am directed by the Committee of this Chamber to draw the attention of the Government of India to the fact that several mills in Ahmedabad as also in Bombay are at present working double-shift. The depreciation allowed ordinarily on machinery, etc., is 5 per cent. As working double-shift involves a greater wear and tear of the machinery, my Committee are of opinion that double the rate of depreciation should be allowed for such mills. This is not being done, however, at present. My Committee request the Government of India, therefore, to be pleased to amend Rule 8 of the Income-tax Manual to permit double depreciation allowance on machinery employed in cotton spinning and weaving factories where such factories are working double-shift, and to issue instructions to all Income-tax Officers to allow double the rate of depreciation for all the cotton spinning and weaving factories which are working double-shift at present."

II.—*Letter No. 954-I. T./29, dated the 15th May 1931, from the Central Board of Revenue to Chamber.*

"In reply to your letter quoted above, I am directed to enclose a copy of a memorandum prepared by the Central Board of Revenue on the above subject and submitted to the Government of India, who have approved of the Board's conclusions."

MEMORANDUM.

Indian Income-tax Act (XI of 1922) Rules under Rule 8. Depreciation allowance—Machinery running day and night.

"In August 1930, Sir Alexander Tottenham, Member of the Central Board of Revenue, had an interview with representatives of the Punjab Chamber of Commerce on the subject mentioned above. The question was discussed in general terms and Sir Alexander Tottenham undertook to examine the matter in consultation with Commissioners of Income-tax. In December, 1930, the Indian Merchants' Chamber raised the same question and suggested that double the machinery rate of depreciation should be allowed for spinning and weaving mills that were working double-shift.

2. As a result of its enquiries, the Board finds many difficulties in the way of any proposal to make the rate of depreciation allowed on machinery and plant vary with the number of hours worked, either in the simple manner suggested by the Indian Merchants' Chamber or by some modification of that proposal. Authorities on the subject of depreciation are agreed that, while running hours cannot be altogether ignored, they are, generally speaking, a very unimportant factor from the point of view of wear and tear compared with the age of the machine. In "Depreciation and wasting Assets" by Leake, 4th Edition (Isaac Pitman & Sons), for example, the following passage occurs:—

> "Use, therefore, or the amount of work done by the plant is not generally the dominating depreciation factor. The only exception to this rule is when the plant is of such a nature that the amount of actual wear caused by the work done will obviously be the dominating depreciation factor, as with steel rails, which if used enough, will wear out before they rust out .... It is astonishing how rarely the rate of destruction value, due to actual use, overtakes the rate of destruction due to constant and inevitable decay and liability to obsolescence."

As a general proposition, it may be stated that, apart from renewals of small parts, bearings and the like, a machine which runs continuously for 24 hours will possibly last as long as a machine that runs only for 12 hours a day, in that the process of starting and stopping, with their attendant heating and cooling, expansion and contraction, are more responsible than anything else for the deterioration of a machine.

3. The Board has made some enquiries as to the practice in the United Kingdom and considers that the utmost weight should be attached to the practice of the authorities in that country in view of their vast experience. The result of the Board's enquiries shows that extra depreciation for overtime running is only allowed in few very special cases, namely, match manufactories, presses that are used to print both morning and evening editions of a newspaper, and paper mills. For match manufactories the extra allowance is 25 per cent. of the normal rate for the proportionate part of the year during which the machinery is worked both day and night, but the extra allowance does not apply to steam raising plant. The extra allowances for printing presses is left to the discretion of the assessing officer and is in any case subject to proof that (*a*) the life of the plant has been substantially reduced, (*b*) the additional wear and tear has not been made good by extra expenditure on maintenance and renewals, and (*c*) that the actual hours of running are longer than would normally be the case if only one edition of the paper were printed. For paper mills, the normal depreciation is increased from 5 per cent. to 7½ per cent. where the mills are run day and night. It is particularly important to observe that no extra depreciation for overtime running has been allowed in the United Kingdom for the textile mills, although these are the mills in respect of which the concession has been asked for in India.

4. These are the objections, in principle, to the proposal, and it is perhaps not necessary to make an elaborate statement, of the difficulties that

would arise in practice, particularly in dealing with machinery that normally runs day and night, as, for instance, electrical power houses; machinery that runs in only certain seasons of the year, *e.g.*, cotton ginning machinery; and machinery that is worked far less than the normal working hours. It would clearly be very difficult to fix normal working hours for each industry and to verify the actual period during each year for which the machinery was worked at more or less than the normal number of hours per day.

5. For all these reasons, the Board is not prepared to recommend that any concession should be given for which a precedent cannot be found in the arrangements that are in force in the United Kingdom; and this would limit the concession to three industries only, each of which would have to substantiate its case in detail if it is desired to enjoy the concession.

6. In the course of the examination of this question, the Board has reconsidered the existing instructions regarding the interpretation of the term 'current repairs' which is used in section 10 (2) (*v*) of the Indian Income-tax Act. On such reconsideration the Board holds that these instructions are appropriate to the case of buildings but are not sufficiently liberal where machinery and plant are concerned. It therefore proposes to issue fresh instructions similar to those which have been issued by the Income-tax authorities in the United Kingdom; these instructions will provide that any replacement or renewal which is not so extensive as to destroy the identity of the machine should be charged to revenue instead of being treated as capital expenditure on which depreciation is to be calculated."

III.—*Letter No. 2547, dated the 11th December, 1931, from Chamber to the Central Board of Revenue.*

"The Committee of this Chamber had addressed a communication to the Government of India, dated the 29th December, 1930, No. 4047, to which they had received a reply from the Central Board of Revenue, dated the 15th May, 1931, enclosing a copy of a memorandum prepared by them on the above subject and submitted to the Government of India, who approved of the Board's conclusions contained therein. My Committee have gone, in the meanwhile, into this whole question and find that there is full justification for the demand originally made by them that Rule No. 8 of the Income-tax Manual should be so amended as to permit double depreciation allowance on machinery employed in cotton spinning and weaving factories where such factories are working double-shift and that Government would be pleased to issue instructions to all Income-tax Officers to allow double the rate of depreciation for all the cotton spinning and weaving factories which were working double-shift at present.

The Board observe in their paragraph 2, that while running hours cannot be altogether ignored they are generally speaking a very unimportant factor from the point of view of wear and tear compared with the age of machinery and that "as a general proposition apart from renewal of small parts, bearings and the like a machine which runs continuously for 24 hours will possibly last as long as a machine that runs only for 12 hours a day in that the process of starting and stopping, with their attendant heating and cooling, expansion and contraction, are more responsible than anything for the deterioration of a machine."

My Committee cannot agree with this view of the Board. Double-shift working of a factory does give rise to wear and tear for which due provision must be made in the depreciation allowance.

The Board in their third paragraph refer to the practice prevalent in the United Kingdom and observe that the result of the Board's enquiries with regard to the United Kingdom show that extra depreciation for overtime running is only allowed in a very few special cases, *viz.*, match manufactories, presses that are used to print both morning and evening editions of a newspaper and paper mills. With regard to this, my Com-

mittee addressed a letter to you on 23rd September, 1931, No. 1919, asking to be good enough to furnish the following information:—

(a) Whether at any time the cotton textile mills in the United Kingdom had worked double-shift, and, if so, when and for what period;

(b) Whether the industry had applied for extra depreciation for overtime running, and, if so, the reasons advanced for refusing the concession.

To these enquiries, the reply from your Board was that necessary enquiries on the points were being made and that a further communication would be addressed when the information was complete. Two months have elapsed since that time and my Committee have not yet got the required information. From what little information my Committee have got themselves, they think that double depreciation is not allowed in the United Kingdom on cotton machinery for the simple reason that the cotton textile mills there have not worked double-shift. In fact, such a great authority on the textile industry as Mr. Arno Pearse, General Secretary of the International Cotton Federation, observed that "England's aloofness from the double-shift system had been responsible for the loss of a great deal of her trade ('Economist' dated the 27th June 1931, page 1373)". Again at the International Cotton Congress, which was held in Paris in the last week of June this year, Mr. Andre Siegfried, observed that the productive capacity of the cotton industry was largely increased by improvement in machiery and work of double- and treble-shifts and pointed out that a large part of the cotton spinning and weaving industry had passed from Lancashire to the Far East on that account or because of working by shifts. My Committee, therefore, consider that the abstention of the United Kingdom from the double-shift system provides no analogy. Circumstances of the industry in the two countries differ widely, each case therefore may well be judged on its own merits.

As to the difficulties apprehended in paragraph 4 of the letter of the Board, my Committee believe that they would not be insurmountable. Such difficulties, therefore, need not act as an impediment on the progress of the industry which itself is also a gain to the income-tax revenues of Government. It is mentioned in paragraph 4 of the Board's letter that "it would clearly be very difficult to fix normal working hours for each machinery and to verify the actual period during each year for which the machinery has worked at more or less than the normal number of hours per day". The normal working hours are, however, fixed by Law under the Factories Act.

In paragraph 5 of their letter, the Board are pleased to observe that they are not prepared to recommend that any concessions should be given for which a precedent could not be found in the arrangements that are in force in the United Kingdom. It is to be regretted that such a final opinion should be given by the Board, when they were not in possession of full facts, as enquiries are still being made by them with regard to the working or otherwise of the double-shift system in the United Kingdom.

The Board will be interested to observe that a representative institution like the Ahmedabad Millowners' Association has recently written to my Committee that their Committee is in accord with the views expressed by the former to the effect that double depreciation on machinery employed in cotton spinning and weaving factories working double-shift should be allowed for the purpose of income-tax. Working and management of cotton mills in Ahmedabad is known for its shrewdness and businesslike methods, and an opinion, therefore, from such an Association has got its own weight. The Bombay Millowners' Association in their representation to the Tariff Board pointed out the advantages which Japan derived from

the double-shift system and the Tariff Board (Cotton Textile Enquiry) arrived at the following conclusion:—

"In comparing the relative position of the Bombay mills and those in Japan there is, however, an important advantage derived from double-shift which cannot be overlooked.

We would explain that our calculations have been based on double-shift working giving double production. The experience of the two mills actually working double-shifts in India shows that this is a legitimate assumption and that the production by night in India is not inferior to that by day."

Dr. R. K. Das, in his "Industrial Efficiency of India" has made the following observation:—

"One of the most important means of making the best use of the capital goods especially expensive machinery is the shift system. Two shifts of 8 or even 9 hours a day have been tried with advantage in many countries and three shifts of 7 hours a day are now being tried in Russia. India with insufficient capital resources and vast man-power can ill afford not to take advantage of at least two shift system."

My Committee will also draw the attention of the Board to the explanation of Viscount Snowden, the then Chancellor of the Exchequer, at the time of the last English budget in dealing with the increase in the standard rate of income-tax from *4s. 6d.* to 5 shillings in the pound that industry would be compensated by relief of roughly the same amount given by means of a special increase on the existing allowance for depreciation of plant and machinery.

Under all these circumstances, my Committee are of opinion that it would be to the best advantage of the cotton mill industry, if double depreciation were allowed for double-shift, and they hope that the Central Board of Revenue will be pleased, after going through all the facts, to accede to their request."

IV.—*Letter dated the 4th May, 1932, C. No. 617-I. T./31, from the Central Board of Revenue to Chamber.*

"In reply to the first of your two letters quoted above, I am directed to say that the Board understands that the question to which you refer has not arisen in a practical form in the cotton textile industry in the United Kingdom, and that it has been the practice there to make some additional allowance on account of depreciation in the woollen industry with reference to day and night running of the machinery.

2. As regards your second letter quoted above (dated the 11th December, 1931), I am directed to say that the Government of India are not at prsent prepared to reconsider their decision conveyed in the Board's memorandum sent to you with its letter of the 15th May, 1931."

Bombay Chamber of Commerce, Bombay.

(1) *Letter No. 1937/162, dated the 3rd August, 1932.*

I have the honour to acknowledge receipt of your letter No. 228, dated the 13th June, 1932, forwarding copies of a questionnaire in connection with the protection of the Cotton Textile Industry.

My Committee in their representation to the Tariff Board appointed in 1926 to enquire into the question of protection to the Cotton Textile industry prefaced their remarks by pointing out that this was by far the most important industry in Bombay and that the general prosperity of the city must be affected by the prosperity of the mills and the various other businesses connected directly and indirectly with them. They stated their

opinion that if the Millowners could prove to the satisfaction of the Board that they were suffering from unfair competition relief in some form or other must be given to them.

My Committee wish to reiterate the opinion then expressed and at the same time to make clear their view, and one which they think will be generally held, that the criterion as to the extent or form of protection for the industry in the future must be only what is found necessary for efficiently and economically managed mills. The answers given to those portions of the questionnaire with which my Committee feel themselves competent to deal are all based on this view.

Many of the questions are clearly of a technical nature and my Committee have not attempted to answer these. Others they have dealt with in somewhat general terms, and in all cases have endeavoured to put forward views which they consider to be in the best interests of the industry itself, the consumer and the varied interests which the Chamber represents.

1. This involves consideration of the course of trade in piecegoods, local and imported, since the time when Mr. Hardy reported, and in effect, the result of the imposition of protective duties in April 1930.

The following general statistics show the course of Indian trade during that period:—

(A) Total production of mills (all India) 1929-30, 1930-31, 1931-32.

(B) Total imports of cotton and artificial silk piecegoods into British India.

(C) Total imports of cotton piecegoods into British India from the United Kingdom.

(D) Total imports of cotton piecegoods into British India from Japan.

(E) Total imports of artificial silk goods and cotton and artificial silk mixtures from Japan.

(See Appendix No. 1.)

From these figures the following general conclusions are to be drawn:—

(1) Since the imposition of these duties Indian mill production has largely increased, although during this period excess of stocks has caused production to be curtailed in most producing countries.

(2) During this period there has been a steady reduction of imports, both from the United Kingdom and other countries. Japanese imports have also declined, though to a less marked degree.

(3) Imports of artificial silk goods, which the Indian mills do not now produce, have substantially increased.

(4) Although conclusions are somewhat complicated by a further increase in duty for revenue purposes last year, generally speaking the protective duties imposed in April, 1930, have proved fully adequate to protect the industry against British competition and, up to the end of 1931, against Japanese competition.

(5) The increase in Japanese competition since the end of 1931 is evidently due, in the main, to depreciation in the exchange value of the yen relative to the rupee. This aspect of the case was recently put forward at a conference with representatives of the Government of India at which the Chamber was represented, and my Committee therefore propose to do no more than draw attention to the attached copy of their letter of 29th June addressed to the Commerce Department.

(See Appendix No. 2.)

Below are reproduced certain of Mr. Hardy's conclusions together with the comments of my Committee. The numbers are those used in the

questionnaire and the paragraphs referred to are those of Mr. Hardy's report.

(vii) Competition in heavy shirtings from Japan reacts unfavourably on sales of Indian sheetings (paragraph 14).

Comment : This is correct up to a point but as a result of the higher protective duties imposed in 1930 the import of heavy shirtings from Japan has very materially declined.

(viii) Indian mills hold their own in the production of grey drills and jeans in which the demand is almost entirely for a heavy class of goods (paragraph 15).

Comment : This still holds good.

(ix) There is little, if any, production of the finer classes of grey goods in India (paragraph 15).

Comment : Judging from the figures of the production of yarns the production of goods made from yarns of counts 40s and over is less than 4 per cent. of the total production of all-India. The production of higher counts is, however, increasing owing to the heavy import duty and to that extent the conclusion reached by Mr. Hardy should be modified.

(x) The import trade in white goods remains mostly in the hands of Lancashire and consists largely of goods whose fineness is above the limit at which production from Indian cotton is possible (paragraph 16).

Comment : While the import trade in white goods is still largely in the hands of Lancashire, Japanese imports are increasing at the expense of the United Kingdom. (See Appendix No. 3.)

(xi) Printed drills and jeans from Japan and printed shirtings from Japan and Italy compete with Indian woven striped shirtings. Fancy "Prints and Chintz" from the United Kingdom do not compete with any Indian product (paragraph 17).

Comment : Fancy prints and artificial silk fabrics from Japan have largely replaced both printed drills and jeans from both Lancashire and Japan and are seriously competing with Indian woven striped shirtings. It is a fact that fancy "Prints and Chintz" from the United Kingdom do not compete with Indian products.

(xii) Competition in dyed goods has not shown any increase since 1927 (paragraph 17).

Comment : Not only has competition in dyed goods shown no increase since 1927 but Indian mills have gained ground in this class. (See Appendix No. 4.)

(xiii) In colour-woven goods, the principal competition is from Japanese striped shirtings, twills and coarse drills (paragraph 17).

Comment : This no longer holds good (see reply to xi).

(xv) There is very little direct competition in coloured goods between the United Kingdom and Indian mills. The only serious external competitor is Japan, though Italy may become a formidable rival (paragraph 17).

Comment : This still holds good.

(xvii) Over a range of cloth in which the cost of raw cotton per pound of cloth does not vary appreciably, the severity of competition increases with the price (paragraph 20).

Comment : Agreed.

(xviii) The fact that, area for area, fine cloth is often cheaper than coarse cloth causes indirect competition between imported fine cloths and locally made coarse cloths (paragraph 22).

Comment : This holds good only in so far as the cloths are used for the same purpose, which is not often the case.

(xix) A general movement of prices in any particular range of cloth is apt to react on the price of other cloths of an entirely different nature (paragraph 22).

Comment : The tendency is frequently as stated.

(xx) Artificial silk yarn is being used to an increasing extent in the weaving of striped cotton goods and the borders of Dhutis. To this extent artificial silk yarn is an ally rather than a competitor of cotton (paragraph 22).

Comment : Artificial silk yarn can only be said to be an ally of cotton to a very small extent, in cases where it is used to ornament cotton cloth. Otherwise it is a competitor of cotton.

As mentioned in reply to a later question the number of mills now using artificial silk is much smaller than it used to be.

(xxi) The imports of artificial silk cloth and of mixed cotton and artificial silk fabrics are in competition with real silk goods rather than with cotton goods (paragraph 22).

Comment : No. This is not so. Owing to its cheap price artificial silk cloth is replacing many types of cotton fancies.

I am now to deal with those of the remaining questions on which my Committee have views to express.

2. Qualities of British and Japanese piecegoods are not now-a-days generally comparable. A statement of prices of a few qualities is however attached. (See Appendix No. 5.)

6. In the lower counts the deficiency would be largely supplied by increased production at other centres in India, in the finer goods by a permanent increase in imports from other countries.

7. (See Appendix No. 6.)

9. My Committee are not in a position to supply detailed information on the points named. In regard to Nos. (vi) and (vii), however, they are of opinion that the greater the difference between the duty on yarn and piecegoods, the greater the advantage that will be enjoyed by the handloom industry. The duties on artificial silk and cotton yarn should not be increased and preferably should be reduced.

10. My Committee have no remarks to make in this connection except that they do not consider that hand-spinning can ever again become an economic method of production.

11. (*a*) A lessening of demand from the mills would militate against the cultivator to a small extent. Exporters and mills both naturally pay the same price for Indian cotton at present but if there were a reduction in demand by the mills prices would tend to decline as exporters will only buy if parity with outside growths is maintained, whereas Indian mills frequently buy Indian cotton at prices above world parity.

In the case of short staple cotton, of which India enjoys a virtual monopoly, any such effects on prices would only be very slight.

(*b*) Not unless the decline in output is very substantial, as India is at present an importer of staple cotton. A reduced production could still absorb the output of those districts particularly suitable for the growth of long staple cottons. As regards other districts, the Chamber has already expressed the opinion that the extension of long staple cottons at the expense of high yielding short stapled types is probably not in the interest of the ryot.

12. Under the abnormal conditions prevailing during the past year on account of the severe shortage and comparatively high price of Indian cotton, a large proportion of the cotton imported has been American cotton

competing directly with Indian long staple cotton. The Import Duty on this cotton has directly benefited the Indian cultivator of staple cotton.

In recent years there has been a growing tendency for Indian mills to import a high grade long staple cotton for purposes for which Indian cotton is unsuitable. A duty levied on these growths has little effect on the price obtained by the Indian cultivator.

13 (*a*) & 14. It is more convenient to deal with these two questions together. The principal classes of locally made cloths and imported cloths which compete with each other are:—

No. 13 (*a*)	No. 14.
Dyed Shirtings.	Dyed Shirtings.
,, Drills.	,, Drills.
Grey Dhuties.	Grey Dhuties.
,, Shirtings and Sheetings.	,, Shirtings (Japanese).
Indian Bleached Goods.	Coarse Nainsooks from Japan.
Striped Shirtings.	Striped Twill Shirtings from Japan.
Cotton Fancies.	Artificial Silk Fancies and Taffetas.

25. (See Appendix No. 7.)

31. Yes, in the case of well-managed concerns. In regard to the second part of this question my Committee desire to repeat the opinion expressed by the Chamber to the Indian Central Banking Enquiry Committee, *viz.*

> "Rates of interest vary with the nature of the security, according to good or bad parties, and also in relation to the seasonal rise and fall of the Imperial Bank of India rate.
>
> First class borrowers can obtain loans at the Imperial Bank rate or at 1 per cent. over it."

38. Yes. Depreciation of yen relative to the rupee.

39. The answer given to this question refers to goods other than goods made wholly or mainly of artificial silk.

It is considered that protection to the Indian Mill Industry should be continued, but this should only be on a basis which will adequately protect efficiently and economically managed mills. My Committee consider that any rate of duty higher than is necessary to enable such mills to market at a fair price the goods which they are best equipped, as regards plant, raw materials, labour and climate, to produce is against the best interests of the industry itself and the country generally.

(i) Where specific duties already exist they should be continued in that form and may be extended where found feasible. In other cases *ad valorem* duties are recommended owing to the reasons given in Mr. Hardy's report and in order to avoid any increased cost of administration.

(ii) The rates of duty imposed in 1930 were: 15 per cent. *ad valorem* on goods of British manufacture; 20 per cent. *ad valorem* on goods not of British manufacture. My Committee are of opinion that these rates are adequate to secure the purposes mentioned above and should only be continued if the Millowners are able to show to the satisfaction of the Board that their retention is necessary.

(iii) Five years.

(iv) Protective duties should not apply to goods which do not compete with or replace goods produced by the local mills.

40. Protection should be continued in the form granted in 1930; see Answer to Question 39 (i) above.

41. The present duty on yarn of 50s and over should be reduced to one anna per lb. or 5 per cent. *ad valorem* whichever is the greater. This proposal is made on the following grounds:—

(i) The incidence of taxation is much higher than was originally intended.

(ii) The figures earlier referred to show that the production in India of yarns over 40s is less than 4 per cent. of the total production. The present rate of duty on such yarns is opposed to the interests of the handloom industry, which, my Committee understand, is the largest consumer of imported yarns of the finer counts.

42. The tariff definition of " plain greys " may be left as it stands with the addition of the words " and coloured goods not bleached or dyed in the piece ".

43. (i) & (ii) It appears anomalous that the Indian mills should ask for protection against imports of artificial silk goods which they not only do not produce but which many of them, my Committee believe, have decided not to produce.

At the same time there is no doubt that, owing to the very cheap prices at which they are sold, these goods compete severely with several classes of cotton goods produced by Indian mills, and in view of the continued decreases in price it is recommended that a specific duty, which appears to be particularly suitable in this case, should be imposed at a flat rate of 4 annas per square yard irrespective of quality. This rate should apply to all artificial silk goods and mixtures of cotton and artificial silk containing more than 15 per cent. of the latter. Goods containing less than 15 per cent. artificial silk to be classed as cotton.

My Committee, however, qualify this recommendation by saying that in their opinion a condition precedent to any increase in the duty on artificial silk goods, or even the retention of the existing rate of duty, should be the immediate removal by Indian mills of any restrictions, which may at present exist, on the manufacture of such goods. There is a definite demand for these goods owing to their relative cheapness and attractive appearance and it seems only right that if a high protective duty is placed on the imported article Indian mills should do their best to supply the demand as, it is believed, some of them were doing up to a year or two ago.

(iii) No, silk and artificial silk goods have now little relation to one another. Artificial silk goods used for medical purposes may still be assessed separately.

44. If protection for the Indian mill industry is to be continued, it is not only possible but necessary in the interests of the consumer to continue or increase the preferential treatment at present given to imports from the United Kingdom. These imports now consist almost entirely of very fine and very wide cloths; of good printed cloths; and other specialities none of which are produced to any appreciable extent in this country. They are, however, required by various classes of consumer, who have been accustomed to use goods of these descriptions, and in penalising goods imported from other countries which compete with local products it is unfair to penalise unduly goods which do not so compete and of which consumers have no other source of supply. None of these goods can be produced economically in India, and though by raising tariffs to an excessive height it would be possible to create artificial conditions in India enabling their production to be undertaken, the benefits accruing to Indian mills by this means would be enormously outweighed by the injury to the consumer and loss of revenue to the Government.

In increasing import duties, there must be a point at which the advantages gained by local producers are outweighed by the disadvantages suffered by the consumer and taxpayer, and my Committee submit that in the case of goods now being imported from the United Kingdom this point has already been passed.

APPENDIX No. 1.

	1930-31. Yds.	1929-30. Yds.	1921-22. Yds.
"A."—Total production of mills (all-India) . . .	2,418,981,049	2,561,133,035	2,989,891,101
"B."—Total imports of cotton and artificial silk piecegoods into British India—			
Cotton piecegoods . .	1,919,346,512	890,029,906	775,613,894
Artificial silk . .	56,599,974	51,494,545	84,639,261
"C."—Total imports of cotton piecegoods into British India from the United Kingdom—			
Cotton piecegoods . .	1,247,539,321	523,445,664	383,500,817
"D."—Total imports of cotton piecegoods into British India from Japan—			
Cotton piecegoods .	561,965,625	320,775,991	339,704,396
"E."—Total imports of artificial silk goods and cotton and artificial silk mixtures from Japan and United Kingdom—			
Japan	25,038,036	38,207,243	74,548,909
United Kingdom . .	7,226,794	2,406,605	1,646,192

APPENDIX No. 2.

No. 1630/162 of 1932.

THE CHAMBER OF COMMERCE,
Bombay, 29th June, 1932

The Secretary to the Government of India,
Department of Commerce,
Simla.

Sir,

PROTECTION OF COTTON TEXTILE INDUSTRY.

I have the honour to confirm despatch to-day of the underquoted telegram:

"Bombay Chamber has been favoured with copy of telegram dated twenty-eighth from Bombay Millowners' Association inviting Governments urgent attention to serious menace to textile industry owing depreciation Japanese yen. In supporting this representation in general terms this Chamber strongly urges question be referred for immediate consideration and report to Tariff Board who should be asked to confine their attention for present solely to this most important aspect of question."

2. My Committee trust that the Government of India will see their way to take action on the lines suggested and will urge on the Tariff Board the necessity for reporting at the earliest possible moment. My

Committee also trust that on receipt of the Tariff Board's Report the Government will take such emergency measures as may appear to be indicated.

3. My Committee suggest further that the Report of the Tariff Board might form the basis of an immediate enquiry into the general effect on Indian industries of depreciated currencies, with special reference to the marked decline in the yen.

4. I am to add that, in the opinion of my Committee, this matter is one of the greatest urgency.

I have the honour to be,
Sir,
Your most obedient servant,
R. SULIVAN,
Secretary.

APPENDIX No. 3.

White bleached.

——	1929-30.	1930-31.	1931-32.	Two months 1st April to 31st May.		
				1930.	1931.	1932.
	Yds.	Yds.	Yds.	Yds.	Yds.	Yds.
United Kingdom .	435,947,709	229,959,908	207,045,989	77,450,452	35,898,628	45,049,915
Japan . . .	13,880,453	28,105,352	59,820,081	4,570,951	8,646,653	14,214,559

APPENDIX No. 4.

Imports of coloured-dyed goods.

——	1929-30.	1930-31.	1931-32.
	Yds.	Yds.	Yds.
Total coloured, printed or dyed . .	483,475,377	245,772,459	223 243,268
Total of coloured-woven goods . .	132,534,139	46,160,866	25,362,713

APPENDIX No. 5.

Price of Greys. 1929.	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Grey Shirtings No. 2000, 39/37½-38, 16 × 12, 30/30, 8 lbs. 5¾ oz.	9 0 9	9 0 0	9 0 0	9 0 0	8 14 0	8 14 0	8 11 3	8 10 3	8 9 3	8 9 3	8 8 3	8 4 6
Grey Jaconets No. 18, 45/22, 16 × 15, 40/50, 3 lbs. 7¾ oz.	5 8 9	5 7 6	5 6 5	5 6 5	5 6 5	5 6 5	5 5 6	5 5 6	5 5 6	5 5 6	5 5 6	5 4 6
Grey Mulls, Moongus 51/20, 22 × 22, 60E/60 A, 3 lbs. 7½ oz.	8 3 0	8 1 0	8 2 0	8 3 6	8 2 6	8 1 6	7 15 6	8 0 9	7 14 9	7 14 0	7 14 9	7 11 9
Japanese Grey Shirtings No. 3800, 44/38-38½, 10 lbs.	14 2 0	14 3 0	14 2 0	14 4 0	14 0 0	13 12 0	13 9 0	13 6 0	13 8 0	13 6 0	13 6 0	13 6 0
Japanese Grey Drill, Elephant, 30/40, 14½ lbs.	14 0 0	13 10 0	13 12 0	13 12 0	13 5 0	12 15 0	12 14 0	13 2 0	13 0 0	12 11 0	12 4 0	12 3 0
Japanese Grey Drills, 2 Ducks, 30/40, 13½ lbs.	No stocks	12 2 0	12 0 0	11 12 0	11 10 0	11 8 0	11 10 0	No stocks	No stocks	No stocks	No stocks	No stocks
American Grey Drill, Pepperell, 29/40, 14½ lbs.	17 6 0	17 8 0	17 6 0	17 8 0	17 4 0	17 5 0	17 6 0	17 4 0	17 4 0	17 0 0	17 0 0	17 2 0

1930.												
Grey Shirtings No. 2000, 39/37½-38, 16 × 12, 30/30, 8 lbs. 5¾ oz.	8 6 3	8 5 6	8 5 6	8 6 3	8 6 3	8 6 3	8 6 3	Mulji Jaitha Market closed owing to political agitation.				
Grey Jaconets No 18, 45/22, 16 × 15, 40/50, 3 lbs. 7¾ oz.	5 3 6	5 1 6	5 0 6	5 0 6	5 0 6	5 0 6	5 0 6					
Grey Mulls, Moongus, 51/20, 22 × 22, 60E/60A, 3 lbs. 7½ oz.	7 10 0	7 5 0	7 8 0	...	7 8 0	7 9 0	6 9 0					
Japanese Grey Shirtings No. 3800, 44/38-38½, 10 lbs.	13 8 0	13 6 0	13 8 0	No stocks	13 12 0	13 12 0	13 8 0					
Japanese Grey Drill, Elephant, 30/40, 14½ lbs.	11 10 0	11 2 0	11 8 0	11 12 0	11 14 0	12 0 0	12 0 0					
Japanese Grey Drill, 2 Ducks, 30/40, 13½ lbs.	No stocks	No stocks	No stocks	No stocks	No stocks	No stocks	No stocks					
American Grey Drills, Pepperell 29/40, 14½ lbs.	17 2 0	18 0 0	No stocks	17 12 0	17 14 0	17 12 0	17 12 0					
1931.												
Grey Shirtings No. 2000, 39/37½-38, 16 × 12, 30/30, 8 lbs. 5¾ oz.	Mulji Jaitha Market closed owing to political agitation.			7 3 3	7 3 3	7 3 3	7 3 3	7 1 3	7 1 3	6 15 3	6 13 6	6 13 6
Grey Jaconets No 18, 45/22, 16 × 15, 40/50, 3 lbs. 7¾ oz.				4 9 0	4 7 0	4 7 0	4 5 0	4 5 0	4 4 3	4 3 3	4 5 3	4 5 3

	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Price of Greys—*contd.*												
1931—*contd.*												
Grey Mulls, Moongus, 51/20, 22 × 22, 60E/60A, 3lbs. 7½ oz.	Mulji Jaitha Market closed owing to political agitation.			6 14 0	6 0 0	5 10 0	5 10 0	5 15 0	5 15 0	...	...	5 12 0
Japanese Grey Shirtings No. 3800, 44/38-38½, 10 lbs.				10 12 0	10 10 0	10 10 0	10 12 0	10 10 0	10 8 0	11 0 0	11 2 0	12 10 0
Japanese Grey Drill, Elephant, 30/40, 14¼ lbs.				11 3 0	11 0 0	11 0 0	11 2 0	10 10 0	10 4 0	10 4 0	10 6 0	11 4 0
Japanese Grey Drill, 2 Ducks, 30/40, 13¾ lbs.				No Stocks	No Stocks	No Stocks	No Stocks	No Stocks	No Stocks	No Stocks	No Stocks	No Stocks
American Grey Drills, Pepperell, 29/40, 14½ lbs.				16 8 0	16 2 0	15 10 0	16 0 0	15 4 0	14 12 0	15 0 0	15 0 0	15 2 0
1932.												
Grey Shirtings No. 2000, 39/37½-38, 16 × 12, 30/30, 8 lbs. 5¾ oz.	6 13 6	Market closed.	Market closed.	Market closed.	No Stocks	...	...	...	...	...	...	...
Grey Jaconets No. 18, 45/22, 16 × 15, 40/50, 3 lbs. 7¾ oz.	4 5 3	Do.	Do.	Do.	4 7 0	...	...	...	...	...	...	...

Grey Mulls, Moongus, 51/20, 22 × 22, 60E/60A, 3 lbs. 7½ oz.	5 10 0	5 10 0	5 11 0	6 5 0	6 3 0	...	...	...	...	...	...	...
Japanese Grey Shirtings No. 3800, 44/38-38½, 10 lbs.	No Stocks	Market closed.	Market closed.	Market closed.	10 4 0	...	...	...	...	...	...	...
Japanese Grey Drill, Elephant, 30/40, 14½ lbs.	10 14 0	Do.	Do.		No stocks.	...	...	...	...	...	...	...
Japanese Grey Drills, 2 Ducks 30/40, 13½ lbs.	No stocks.	No stocks.	No stocks.	No stocks.	No stocks	...	...	...	...	...	...	...
American Grey Drills, Pepperell, 29/40, 14½ lbs.	15 0 0	Market closed.	Market closed.	Market closed.	13 12 0	...	...	...	...	...	...	...
PRICE OF GREY DHUTIES.												
1929.												
Grey Dhuties No. 3322, 44″/8-9, 16 × 14, 44/46, 5/16 in. Dobby.	4 14 6	4 14 6	4 14 6	4 13 0	4 14 6	4 12 6	4 12 6	4 12 6	4 10 6	4 10 6	4 11 0	4 9 0
1930.												
Grey Dhuties No. 3322, 44″/8-9, 16 × 14, 44/46, 5/16 in. Dobby.	4 9 0	4 9 0	4 7 0	4 7 0	4 7 0	4 7 0	4 3 0 nom.	Mulji Jitha Market closed owing to political agitation.				
Japan Cotton Trading Co.'s No. 600, 4′4″/10, 5/8 in. Col.	2 9 0	2 7 6	2 6 6	2 7 0	2 6 6	2 5 0	2 4 6	2 4 6	2 4 6	2 1 0	1 15 0	1 15 0

—	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
PRICE OF GREY DHUTIES—*contd.*												
1931.												
Grey Dhuties No. 3322, 44″/8-9, 16 x 14, 44/46, 5/16 in. Dobby.	Market closed owing to political agitation.			3 5 6 nom.	3 5 6 nom.	3 5 6 nom.	3 1 6 nom.	2 15 6 nom.	2 15 3 nom.	No Stocks.		
Japan Cotton Trading Co.'s No. 600, 44″/10, 5/8 in. Col.	1 14 6	1 14 9	1 14 9	1 15 0	1 15 0	1 14 0	1 13 6	1 13 3	1 11 9	1 14 6	1 14 6	1 14 6
1932.												
Grey Dhuties No. 3322, 44″/8-9, 16 x 14, 44/46, 5/16 in. Dobby.	Mulji Jaitha Market closed owing to political agitation.						No Stocks.					
Japan Cotton Trading Co.'s No. 600, 44″/10, 5/8 in. Col.	1 13 0	1 13 3	1 14 9	1 14 0	1 14 9	1 14 0	...	...	...	...	...	...
PRICE OF WHITE DHUTIES.												
1929.												
Whit Dhuties No. 1535, 42″/8-9, 16 x 13, 38/44, 1/4 in. Dobby.	5 2 0	5 3 0	5 3 0	5 3 0	5 0 0	4 14 0	4 12 0	4 12 0	4 12 0	4 12 0	4 12 6	4 12

1930.												
White Dhuties No. 1535, 42"/8-9, 16 × 13, 38/44, 1/4 in. Dobby.	4 12 6	4 12 6	4 10 6	4 10 6	4 10 6	4 10 6	4 8 6 nom.	Mulji Jaitha Market closed owing to political agitation				
1931.												
White Dhuties No. 1535, 42"/8 9, 16 × 13, 38/44, 1/4 in. Dobby.	Mulji Jaitha Market closed owing to political agitation.			3 11 0 nom.	3 11 0 nom.	3 9 0 nom.	3 5 6 nom.	3 3 0 nom.	3 3 0 nom.	No Stocks.		
1932.												
White Dhuties No. 1535, 42"/8-9, 16 × 13, 38/44, 1/4 in. Dobby.	Ditto.			No Stocks.								
PRICE OF WHITES.												
1929.												
White Mulls No. 88, 58"/20, 15 × 12, 60/80.	5 9 6	5 11 3	5 14 0	5 12 0	5 11 3	5 10 3	5 10 3	5 10 3	5 10 3	5 10 3	5 9 3	5 5 6
White Mulls No. 166, 39"/20, 20 × 17, 80/100.	5 11 3	5 13 3	5 14 0	5 13 0	5 13 0	5 12 0	5 12 0	5 10 3	5 10 3	5 10 3	5 8 3	5 8 3
Leigh's White Mulls No. 1703, 53"/20.	13 0 0	12 12 0	12 5 0	12 2 0	12 1 0	12 3 0	12 2 0	12 0 0	12 0 0	12 0 0	12 0 0	12 0 0
1930.												
White Mulls, No. 88, 58"/20, 15 × 12, 60/80.	5 5 6	4 12 9	4 12 9	5 0 0	5 0 0	5 0 0	4 13 6 nom.	Mulji Jaitha Market closed owing to political agitation.				

	January.	February.	March.	April.	May.	June.	July.	August	September.	October.	November.	December.
PRICE OF WHITES—*contd.*	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1930—*contd.*												
White Mulls No. 166. 39″/20, 20 × 17, 80/100.	5 8 3	5 7 6	5 7 6	5 8 6	5 8 6	5 8 6	5 6 3 nom.	Mulji Jaitha Market closed owing to political agitation.				
Leigh's White Mulls No. 1703, 53″/20.	11 14 0	11 8 0	11 4 0	11 4 0	11 4 0	11 4 0	10 10 0 nom.					
1931.												
White Mulls No. 88, 58″/20, 15 × 12, 60/80.	Mulji Jaitha Market closed owing to political agitation.			4 9 0	4 9 0	4 9 0	4 8 0	4 8 0	4 6 0	4 4 0	4 4 0	4 4 0
White Mulls No. 166, 39″/20, 20 × 17, 80/100.				5 4 3	5 0 0	5 1 0	4 12 0	4 11 0	4 10 0	4 10 0	4 8 0	4 8 0
Leigh's White Mulls No. 1703, 53″/20.				9 10 0 nom.	9 10 0 nom.	9 10 0 nom.	9 10 0 nom.	9 10 0 nom.	No stocks	9 6 0	9 6 0	9 8 0
Japanese White Shirtings No. 6000, 34″/42.				11 14 0	12 1 0	11 12 0	11 10 0	11 8 0	11 6 0	11 14 0	11 12 0	No stocks
1932.												
White Mulls No. 88, 58″/20, 16 × 12, 60/80.	4 6 0	Mulji Jaitha Market again closed.		4 8 0	4 8 0 nom.	...	...	...	...	...	...	...

White Mulls No. 166, 39″/20, 20 × 17, 80/100.	4 7 0	Mulji Jaitha Market again closed.		4 8 0	4 8 0	...	...	...	...	...	...	...
Leigh's White Mulls No. 1703, 53″/20.	9 8 0	Mulji Jaitha Market again closed.		9 8 0	9 8 0	...	...	...	...	...	...	...
Japanese White Shirtings No. 6000 34″/42.	No stocks	Mulji Jaitha Market again closed.		No stocks.		..	...	...	...	...	...	...
PRICE OF PRINTS.												
1929.												
Claret & Blue Blotch Jeans G. D. 4, 27″/52.	0 6 4	0 6 4	0 6 4	0 6 4	0 6 4	0 6 1	0 6 1	0 6 0	0 6 0	0 6 0	0 6 0	0 6 0
Dyed Rough Shirtings Splits No. 9550, 24″/39.	6 6 0	6 6 0	6 6 0	6 4 6	6 4 6	6 2 6	6 2 0	6 1 0	6 1 0	6 0 0	6 0 0	6 0 0
1930.												
Claret Blue Blotch Jeans G. D. 4, 27″/52.	0 6 0	0 6 0	0 6 0	0 6 1	0 6 1	0 6 1 nom.	0 6 1 nom.	Mulji Jaitha Market closed owing to political agitation.				
Dyed Rough Shirtings Splits No. 9550, 24″/39.	6 0 0	5 14 0	5 14 0	5 12 0	5 12 0	5 12 0 nom.	5 12 0 nom.					
Black Ground Discharges Splits, 25″/32. *Lancashire*.	...	...	8 2 0	8 2 0	8 2 0	8 2 0 nom.	8 2 0 nom.					
Japanese Discharges, 26″/41.	...	...	8 8 0	8 8 0	8 8 0	8 8 0 nom.	8 8 0 nom.					

—	January.	February.	March.	April.	May.	June.	July.	August.	September.	October.	November.	December.
PRICE OF P INTS—*contd.*	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1931.												
Claret & Blue Blotch Jeans G. D.-4, 27"/52.	Mulji Jaitha Market closed owing to political agitation.			0 5 7½	0 5 7½	0 5 6	0 5 3	0 5 3	0 5 0	0 5 1	0 5 1	0 5 3
Dyed Rough Shirtings Splits No. 9950, 24"/39.				5 10 0	5 10 0	5 8 0	5 4 0	5 4 0	5 4 0	5 2 0	5 2 0	5 3 0
Black Ground Discharges Splits, 25"/52. *Lancashire.*				No Stocks.								
Japanese Discharges, 26"/41.				8 0 0	8 0 0	7 4 0	6 14 0	6 8 0	6 4 0	6 8 0	6 9 0	6 12 0
1932.												
Claret & Blue Blotch Jeans G. D. 4, 27"/52.	0 5 5	Market closed.			0 5 1	...	...	...	...	...	...	...
Dyed Rough Shirtings Splits No. 9550, 24"/39.	5 3 0	Do. do.			5 3 0	...	...	...	...	...	...	...
Black Ground Discharges Splits, 25"/52. *Lancashire.*		No Stocks.				...	...	...	...	...	...	...
Japanese Discharges, 26"/41.	6 14 0	Market closed.			6 6 0	...	...	...	...	...	...	...

Price of Japanese fancies.												
1929.												
Dyed Artificial Silk Brocades (Taffetas), 26"/30 yards.	...	...	...	...	...	0 10 3	0 10 3	0 10 3	0 10 3	0 9 3	0 9 0	0 8 9
Woven Striped Twills, No. 505, 26"/30 yards.	...	...	...	7 6 0	7 4 0	7 2 0	6 15 0	6 13 6	6 11 6	6 10 0	0 8 0	6 4 0
1930.												
Dyed Artificial Silk Brocades (Taffetas), 26"/30 yards.	0 8 6	0 8 3	0 8 3	0 8 6	0 7 9	0 7 0	0 6 9	Mulji Jaitha Market closed owing to political agitation.				
Woven Striped Twills, No. 505, 26"/30 yards	6 0 0	5 13 6	5 12 0	5 10 0	5 8 0	5 6 0	5 2 0	Do.				
1931.												
Dyed Artificial Silk Brocades (Taffetas), 26"/30 yards.	Market closed			0 6 3	0 5 6	0 5 3	0 4 9	0 4 9	0 5 6	0 5 9	0 5 6	0 5 4
Woven Striped Twills No. 505, 26"/30 yards.	Do.			5 10 3	5 7 3	5 6 3	5 1 3	5 0 9	5 0 3	5 5 6	5 12 0	5 13 0
1932.												
Dyed Artificial Silk Brocades (Taffetas), 26"/30 yards.	0 5 3	0 5 1	0 4 10	0 5 0	0 4 9	0 4 6	...	...	...	...	...	...

—	January.	February	March.	April.	May	June.	July.	August.	September.	October.	November.	December.
PRICE OF JAPANESE FANCIES —*contd.*	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
1932—*contd.*												
Woven Striped Twills, No. 505, 26″/30 yards.	5 10 0	5 6 0	5 4 0	5 3 0	5 2 0	5 0 0	...	...	...	...	...	...

GREYS.

44″/38 yards Light Weight Shirtings, 6½ lbs. (Ralli Brothers quality No. 3535 aud Japan Cotton Trading Company's No. 4181), 4 000 to 5,000 B/S imported annually into Bombay :—

	Rs. A. P.	
Present price	6 4 0	Bombay godown. (specific duty 3½ as. + 25% p. lb. = about Rs. 1-13 0),
Local mills	6 8 0	Bombay godown,

29″-30″/40 yards Drills, 14½ lbs. (" Elephant " Bombay and " 3 Dogs " Karachi), about 1,000 B/S imported annually into Bombay :—

	Rs. A. P.
Present price	6 12 0 c.i.f.
Local mills	8 12 0

PRICE OF WHITES.

	Rs. A. P.	
Japanese No 800, 34″/42 yards, White Shirtings	10 6 0	Bombay godown.
Lancashire No. 1500. do., do.	14 0 0	do.
Japanese No. 6001. 33″/20 yards, do.	4 0 0	do.
Lancashire No. 351, 35″/20 do., do.	5 14 0	do.
Japanese No. 388, 35″/40 do, do. (3 Elephants) . . .	9 8 0	do.
Lancashire R. 800, 35″/40 do., do	10 9 0	do.
Japanese No. 2405, 28″/18 do., White Nainsooks . . .	2 0 0	do.
Lancashire No. 21021, 27″/18 do., do.	2 8 0	do.

APPENDIX No. 6.

i) The Railway freight on raw cotton from the principal centres of cultivation in India

Basis Indian Cotton (per candy of 784 lbs.).

To Bombay.

From	Rs.	A.	From	Rs.	A.	From	Rs.	A.
Ahmedabad .	10	10	Ellichpur .	22	12	Nadiad . .	9	11
Akola . .	18	11	Gulburga .	18	3	Nanded . .	17	14
Aligarh . .	25	8	Gokak Road	9	8	Pulgaon . .	19	12
Aurangabad .	11	11	Gwalior . .	24	8	Petlad . .	9	13
Baroda . .	8	11	Hinghanghat .	19	9	Padra Road .	9	7
Broach . .	7	4	Indore . .	13	12	Poona . .	6	5
Barsi Town .	13	7	Jalgaon . .	13	9	Rajkot . .	11	6
Bandera . .	20	8	Jubbulpore .	21	5	Sholapur .	14	10
Beawar . .	16	12	Kadi . .	11	8	Secunderabad .	24	10
Billimora . .	5	2	Kalol . .	11	2	Surat . .	6	1
Burhanpur .	16	0	Kishengarh .	18	7	Sidhpur . .	12	10
Calcutta . .	10	15	Kolhapur	10	8	Ujjain . .	15	7
Chalisgaon .	10	10	Mahuva . .	13	15	Viramgaum .	11	14
Cambay . .	10	7	Nowsari . .	5	8	Wadhwan .	8	5
Dhulia . .	12	7	Nagpur . .	16	11	...		...

From.	To Bombay.		To Calcutta.		To Karachi.	
	Rs.	A.	Rs.	A.	Rs.	A.
Agra	24	8	24	13	24	13
Amritsar	28	8	32	6	25	2
Benares	21	14	13	14	29	5
Cawnpore	21	11	20	4	23	0
Delhi	24	13	25	1	24	13
Hathras	24	13	25	2	25	2
Lucknow	23	2	19	12	24	13
Moradabad	27	11	26	2	28	0
Ujhani	26	2	25	11	26	2

From	To Bombay.		To Madras.		To Mamugao.		To Tuticorin.		To Calicut.		To Cochin.	
	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.	Rs.	A.
Bangalore .	19	8	7	13	16	0	...		...		...	
Mysore . .	20	10	10	10	16	0	...		...		...	
Hubli . .	11	9	...		6	13	...		...		...	
Koilpati . .	...		12	4	...		2	1	...		...	
Madura . .	...		10	8	...		3	11	...		...	
Coimbatore .	...		...		...		...		4	4	5	4
Trichur . .	...		...		...		...		3	1	2	13
Kallayi (Malabar).	...		...		...		...		1	1	4	15

N.B.—For Egyptian Cotton increase the above rates by Rc. 0-2 per candy.
For American Cotton increase the above rates by 4 per cent.

		Rs.	A.
Example :	Bombay/Ahmedabad	10	10
	Plus 4 per cent.	0	7
	For American Cotton	11	1

(ii) and (iii) The Railway freight on cotton piecegoods.

Goods train owner's risk.

	Rs. as. p.	
From Bombay to Calcutta	1 10 0	per maund
„ „ to Cawnpore	2 4 2	„ „
„ „ to Delhi	2 10 0	„ „
„ „ to Amritsar	2 14 10	„ „
From Ahmedabad to Amritsar	2 9 2	„ „
„ „ to Cawnpore	1 14 0	„ „
„ „ to Delhi	1 13 2	„ „
„ „ to Calcutta	2 4 0	„ „
From Karachi to Amritsar	2 9 3	„ „
„ „ to Delhi	2 9 3	„ „
„ „ to Lahore	2 7 6	„ „

(iv) and (v) Steamer freight on cotton piecegoods.

FROM BOMBAY.

	Rs. as. p.	
Calcutta	7 8 0	per ton of 40 c. ft. less 10 per cent.
Karachi	0 7 0	per maund of 82 $\frac{2}{7}$ lbs. less 15 per cent.
Madras	10 0 0	per ton of 40 c. ft. less 10 per cent.

FROM UNITED KINGDOM.

	Glasgow. s. d.	Manchester. s. d.	
Bombay	*40 6	42 6	per ton of 40 c. ft.
Calcutta	*46 0	*48 6	„ „ „ 40 „
Karachi	*40 6	42 6	„ „ „ 40 „
Madras	*47 0	*52 0	„ „ „ 40 „

*Approximate.

FROM JAPAN.

Bombay	13·50	yen per ton of 40 c. ft.
Calcutta	13·50	„ „ „ „ 40 „
Karachi	*15·00	„ „ „ „ 40 „
Madras	25·00	„ „ „ „ 40 „

*Approximate.

APPENDIX No. 7.

Question 25.

Count.	Country of Origin.	Price.	
		C.i.f. per bale of 400 lbs.	Wholesale market rate per lb.
		Rs. as. p.	Rs. as. p.
32's single	China and Japan	180 0 0	No stock.
40's single	Ditto	200 0 0	0 10 9
2/42's	Ditto	215 0 0	0 12 0

(2) *Letter No. 2342/162, dated the 21st September, 1932, from the Chamber of Commerce, Bombay.*

When the representatives of the Chamber appeared before the Tariff Board on the 25th ultimo to give oral evidence the President of the Board asked whether the Chamber could assist by giving advice on 4 points which are referred to under the relevant question in the questionnaire issued by the Tariff Board. My Committee have given further consideration to these points and they now instruct me to submit the following additional information in amplification of the views expressed in their letter No. 1937/162 of the 3rd August, 1932:

No. (1) *Comparable qualities of British and Japanese piecegoods.*

Question No. 2.—At the end of Appendix 5 the Chamber quoted ex-godown prices of a few qualities of Lancashire and Japanese White Shirtings and White Nainsooks and the President took the qualities named as similar. He pointed out that the Japanese were 25 per cent. or so cheaper than the British, and argued that a 5 or 10 per cent. preference to British would merely be "thrown away" and would not serve the purpose of enabling Lancashire to compete (apart from the question of yen depreciation).

In response to the President's request for further information concerning the prices of Lancashire piecegoods which are similar in texture to Japanese make a member of the Chamber furnishes the following particulars:—

"On the 15th of July last we sent Home a sample marked N/S. 3249, showing a cutting of a piece of 44″ × 20 yds. White Mull imported from Japan and the following is the report which we have received on this sample from our Manchester Office:—

This is practically the same cloth as our No. 6960 and our price to-day for N/S. 3249, would be 5*s*. 10*d*. c.i.f.i.c. Bombay but we could effect a distinct saving in cost if you would take stamped headings as the Japanese sample you have sent us instead of the usual Gold and Blue Woven headings which you demand on our goods.

The price of 5*s*. 10*d*. per piece c.i.f.i.c. works out to about Rs. 4-14 per piece *ex*-Bombay godown and the Japanese quality is selling at Rs. 4-6 per piece in the bazaar. We would further state that our Manchester Office's price was merely a quotation and we have no doubt that we could have bought the goods at some reduction if actual

business had been offered apart from the saving which could be effected if stamped headings were taken as supplied on the Japanese goods."

Cuttings of both qualities are being forwarded under separate cover in order that the Tariff Board may see for themselves that the qualities are very similar.

In Appendix (A) will be found a list of other somewhat similar qualities of Japanese and British piecegoods.

No. (2) *Comparative Freights.*

Question No. 7.—In Appendix 6 the Chamber quoted steamer freights from Glasgow, Manchester and Japan to various Indian ports per ton of 40 cubic feet and the Board asked if it would be possible to calculate what these freights would come to per lb. or per maund of cloth in respect of a few representative classes of piecegoods.

In Appendix B will be found 3 tables of comparative freights, also weights and measurements.

No. (3) *Specific Duties.*

Question No. 39 (1).—During the hearing of oral evidence the President of the Tariff Board suggested that the most certain method of ensuring to the Mill Industry the protection intended, particularly on a falling market, was by specific duties rather than by *ad valorem* duties. The Chamber's representatives agreed that this was so. The President then said that one great difficulty with which the Board was faced, if it were decided to recommend any specific duties, was to fix the basis on which they should be levied, *viz.*, whether per lb. or on apparent counts, etc.

My Committee have considered the possibility of devising suitable classifications for specific duties and they are of opinion that there are two possible bases (i) area, and (ii) weight. They consider that of the two the former is preferable because it provides the Customs authorities with more reliable data on which to assess the duty, inasmuch as it may reasonably be assumed that the quantity charged for in the invoice is the quantity actually supplied. Moreover the area, as defined by the dimensions stated in invoices, must be accurate, otherwise there is an infringement of the Indian Merchandise Marks Act.

My Committee are still of the opinion that a scientific tariff of specific duties with numerous sub-classifications would be so complicated and would give rise to so many border-line cases as to make such a tariff unworkable without a very costly appraising staff. If therefore specific duties are considered desirable my Committee think that they must be based on a broad classification and they suggest for consideration the following:—

(*a*) Plain Greys (details as per serial No. 120 of the Import Tariff).

(*b*) Grey Dhooties, Scarves and Sarries, that is to say, not bleached or dyed in the piece and which do *not* contain any length of more than nine yards without transverse woven headings.

(*c*) White goods, bleached in the piece.

(*d*) Dyed goods, dyed in the piece.

(*e*) Printed goods.

(*f*) Artificial silk goods.

(*g*) Cotton and artificial silk mixtures containing more than 15 per cent. artificial silk.

No. (4) *Tariff on Yarns.*

Question No. 41.—The President asked that the Chamber should reconsider its answer to this question in which was recommended a reduction in duty on yarn of 50s. and over to one anna per lb. or 5 per cent. *ad valorem* whichever is the greater.

My Committee have given this question further consideration and they are of the opinion that a protective duty on low count yarns is necessary in the interest of the Indian Mill Industry. They see no reason to alter their recommendation unless it can be shown that the millowners are charging excessive prices on low count yarns.

APPENDIX A.

Date. (about)	Description.	Dimensions.	Sq. Yds. per piece.	Price per piece c.i.f. Rs. A. P.	Price per sq. yard c.i.f. A. P.
	White Shirtings—				
15-9-32	Japanese No. 388 (3 Elephants)	35/40 yds.	38·89	7 0 0	2 11
15-9-32	Ralli's Shield (inferior to above)	34/40 ,,	37·78	8 8 0	3 7
15-9-32	Japanese No. 800 (inferior to Liepmann)	34/42 ,,	39·66	7 5 4	3 0
15-9-32	Liepmann's No. 1500	34/42 ,,	39·66	11 6 5	4 7
15-9-32	Japanese No. 18000	36/42 ,,	42·00	7 3 4	2 9
15-9-32	Ralli's No. 351	35/20 ,,	19·45	5 1 7	4 2
	White Mulls—				
15-9-32	Ralli's 5 Kettles	49/20 ,,	27·22	4 7 2	2 7
15-9-32	Japanese Cat and Hat, 3 threads less	44/20 ,,	24·44	2 8 8	1 8
15-9-32	Ralli's No. 3720	36/20 ,,	20·00	2 9 7	2 1
15-9-32	Japanese KSO (slightly inferior to above)	36/20 ,,	20·00	1 14 0	1 6
	Chocolate Jeans—				
15-8-32	Japanese	28/30 ,,	23·33	4 6 1	3 0
11-8-32	Lancashire (superior to above) about 1 anna per yard	27/52 ,,	39·00	10 12 9	4 5
	Printed Disch. Shirtings—				
13-9-32	Japanese	26/40 ,,	28·88	4 13 10	2 8
17-9-32	Lancashire	26/40 ,,	28·88	6 9 5	3 8
	Grey Finished Shirtings—				
30-7-32	Lancashire No. 5003—7 lbs.	44/38 ,,	46·44	6 9 4	2 3
30-7-32	Japanese No. 5151—7 lbs.	44/38 ,,	46·44	5 1 4	1 9
	Grey Shirtings—				
2-9-32	Lancashire No. 1001½—10 lbs.	$38/\frac{38}{38\frac{1}{2}}$,,	40·38	8 4 3	3 3
2-9-32	Japanese "Peach"—12 lbs.	36/40 ,,	40·00	6 7 0	2 7

Explanatory Note.—The quantities bracketed for comparison are not exactly the same but they bear a close resemblance and would compete against each other in this market. In any case the disparity shown in the last column (*viz.*, price per sq. yard) in favour of Japanese qualities is far from being justified by any slight inferiority in the intrinsic value of the Japanese cloths.

APPENDIX B.

Table of comparative freight.

No. 1.

	From Manchester. As. per lb.	From Glasgow. As. per lb.	From Japan. As. per lb.
Greys (packed in Bales) .	·272	...	·126
White Mulls (packed in Bales)	·283	...	...
White Shirtings (packed in Bales)	·214	...	...
Chocolate Jeans (packed in Bales)	...	·389	...
White Mulls (packed in Cases)	·384	...	...
White Shirtings (packed in Cases)	·246	...	...
Printed Sarries (packed in Cases)	·370	...	...
Para Red and 3 Col. Splits (packed in Cases) .	...	·570	...
Turkey 2 Red and 3 Col. Gagras (packed in Cases)	...	·699	...
Turkey 2 Red and 2 Col. Sarries (packed in Cases)	...	·398	...
Glazed Jean Gagras (packed in Cases)	·373	...	...

No. 2.

	Approximate 40 c. ft. Lbs.
White Mulls, 38″×20 yds.	791·7
White Mulls, 52″×20 yds.	1,017·6
White Mulls, 44″×20 yds.	1,238·0
White Mulls, 48″×20 yds.	1,221·0
White Shirtings, 35/6″×40 yds.	1,022·0
White Shirtings, Liepmann's 1500, 32/33″ . .	1,080·0
Khaki Cotton Drill in bales, 27/28″ . . .	2,945·0
White Bordered Nainsooks, 32″×4/22 yds. . .	1,197·0
Sarries—split, 27″	1,068·0
Para Red Shirtings, 16″ split	992·5
White Satin Drills, 27/28″	1,124·0

No. 3.

Sample.		Dimensions of packages.	Contents.		Gross Weight.	Nett Weight.	
			Pcs.	Yds.	Lbs.	Lbs.	
A.	. .	2′/11″×2′/2″×2′/2″	50	42	530	456	Cases.
B.	. .	3′/2″×1′/2″×2′/6″	50	40	422	366	,,
C.	. .	2′/2″×1′/8″×2′/3″	150	20	216	168	,,
D.	. .	2′/7″×1′/8″×2′/2″	75	40	388	289	,,
E.	. .	2′/5″×1′/3″×1′/11″	25	42	359	338	Bales.
F.	. .	2′/5″×1′/8″×2′/4″	25	42	399	380	,,
G.	. .	2′/9″×1′/5″×2′/1″	17	99	289	272	,,

Samples of the qualities mentioned in this table are being forwarded under separate cover.

United Provinces Chamber of Commerce, Cawnpore.

Letter No. 9214, dated the 12th August, 1932.

With reference to your Press Communiqué dated the 11th April, 1932, I am directed by the Committee of the Chamber to address you on the subject of granting further protection to the Cotton Textile Industry.

My Committee have carefully gone through each of the terms of reference on which the Board proposes to institute an inquiry into the question. While they fully realise and also appreciate the keen interest which the Government of India have been for sometime past showing in this connection, they have serious exceptions to take to term No. 3 (*a*), *viz.*, " whether the same rate of protection is required against the competition of goods manufactured in the United Kingdom as against the competition of goods manufactured elsewhere ", which is a clear suggestion for " Imperial Preference " and has, on this very ground, the entire disapproval of my Committee.

As you are aware, the need for protection to the cotton textile industry has been continually emphasised both through the press and representations by the important commercial bodies of the country since the year 1926. It was only in 1930 that the Government appeared to have seriously tried to grasp the situation and come forward with the Cotton Industry Protection Bill. Since the bill contained in it the element of Imperial Preference, it was strongly opposed in the Assembly by non-officials. Experience has now revealed that the protection given under the above act has been inadequate and but for the national movement for the boycott of foreign goods and for the use of swadeshi goods only, the industry would never have developed to its present size. The production of cotton piecegoods as well as yarn has increased to a considerable extent; but all this improvement is observed in the manufacture of finer goods. Inspite of inadequacy of the protection, the results achieved by the Indian millowners have been very hopeful and thus protection has been fully justified by events.

In the terms of reference, the first point raised is " whether the claim of the Indian Cotton Textile Industry to protection has been established ". It simply sounds ridiculous for the Government to have put this term, for nobody knows better than the Government themselves that there is no other industry in the country which provides a stronger *prima facie* case for protection than the cotton textile industry. It has become still stronger now in consequence of the collapse of yen and the exchange and cotton operations of Japan, which is obviously our most formidable competitor in cotton piecegoods besides other commodities. It would thus appear to you that the Indian manufacturers of cotton piecegoods and hosiery, who used to export their products to other countries only till recently, now find that they are being ousted from their own markets. In view of this, the Committee do not consider the existing duties to be adequate enough to encounter this foreign menace and would, therefore, strongly urge for ade-

quate protection so as to enable the industry to stand on its own leg after a few years.

In making the above recommendation, the Committee have not lost sight of the interest of the consumers. They are strongly of opinion that the protection, which may be given to the said industry, would lead to the starting of a number of mills which would naturally compete with one another and keep the price down. The Committee, in the better interest of the country, would not even mind a slight rise in the prices provided they know that by so doing a certain industry of the country could be saved from destruction. For the time being, a uniform duty of 50 per cent. to remain in force for at least 10 years would satisfy the Committee.

In this connection I would, also, draw the pointed attention of your Board to a letter No. 9197, dated June 22, 1932, on the subject of protection to hosiery industry which this Chamber addressed to the Secretary to the Government of India in the Commerce Department and a copy of which is sent herewith for ready reference. As you will find therein I have attempted clearly to show how this industry, which obviously promises a prosperous future, has been all throughout neglected by the Government. Since Japan has quitted gold standard, the value of yen in terms of rupee has very much fallen down with the result that the rupee value of Japanese goods, too, has considerably reduced. My Committee would, therefore, like to revise their previous opinion in this regard as communicated in their above letter and recommend that a duty of 60 per cent. be, in the minimum imposed on all imported hosiery goods.

Enclosure.

Copy of a letter No. 9197, dated June 22, 1932, addressed by the Chamber to the Secretary to the Government of India, Commerce Department, Simla, on the subject of granting protection to the Hosiery Industry.

I am directed by the Committee of the Chamber to address you on the subject of granting protection to the "Indian Hosiery Industry". The question of further protection to the above industry has been since long engaging the serious attention of my Committee. They hope that the Government are fully aware of the large quantities of cotton hosiery imported in India from foreign countries, especially Japan which, in fact, has a partial monopoly of the Indian markets and is by far the most formidable competitor of the Indian manufacturers. As far as the Committee know Japan's hold in the hosiery market is due to the cheap price at which it sells its products to India. What surprises one is how Japan, which imports its requirement of raw material, *i.e.*, raw cotton from India, is able to manufacture the hosiery goods so cheap. Reasons for this are obvious. A glance at the history of the industrial development of Japan would show the extent to which State has been always contributing towards it. Unfortunately however, to the great regret of the Committee, the attitude of the Government of India has been generally found unsympathetic in this regard. As my Committee understand the cost of production of hosiery in India is even now nearly 15 per cent. higher than the wholesale rate at which Japanese sell their products in the Indian markets. Thus it will be found that it is the low cost of production due to which Japan has been able to dump unrestricted its hosiery in this country and oust the Indian manufacturers from their own markets. Not only this, but the industry has been so hard hit that it is apprehended that most of the Indian hosiery factories, particularly those of these provinces about which this Chamber can speak with better authority, may have to be closed down before long.

Further, my Committee strongly hold that the hosiery industry provides a clearly sound *prima facie* case for protection and satisfies all the conditions recommended by the Fiscal Commission to be essential for granting protection. The Tariff Board has been busy for some weeks past in enquiring into the desirability of affording protection to the cotton piecegoods.

My Committee would strongly urge upon the Government to ask the said Board to add in the "terms of reference" the question of further protection to hosiery industry and institute a proper inquiry into the matter.

As for the revenue of the Government derived as Customs duty on hosiery, the Committee do not think that an increase of 15 to 20 per cent. in the existing duty would affect it in any way; while, on the other hand, they feel sure that it would give considerable relief to the hosiery industry and ultimately result in a very great national benefit.

My Committee would, for the reasons stated above, unhesitatingly recommend that the existing duty on hosiery be raised at least to 40 per cent., although they would prefer 45 per cent. which only in their opinion, could be adequate to protect this infant but growing industry of India from destruction."

Messrs. Corn Products Company (India), Limited, Bombay.

(1) *Letter dated the 20th September, 1932.*

In referring to the recent memorandum of the Calcutta Flour Mills Association to the Tariff Board urging the imposition of an *ad valorem* duty of 20 per cent. on imported starching materials, we desire to lodge with you—our formal objection to the suggestion of the Flour Mills Association.

We understand that the memorandum attributes the decline in sales of wheat flour for mill sizing to competition from imported starching materials, which include potato starch, maize starch, rice starch, sago, etc. This, however, is not the case. Imported farinaceous products for the last few years have been 30 per cent. and upwards higher in "delivered mill prices" than wheat flour—with the possible exception of sago, which during the months of June and July, 1932, competed in price with wheat flour.

The use of potato starch, maize starch, etc., by the mill industry does not affect the demand for wheat flour—these imported starches being in demand due to their giving very definite and characteristic qualities in sizing and finishing not obtainable with wheat flour.

We attribute the drop in demand not only for wheat flour but also for imported starches to the increased production of finer cloth by Indian mills, with a corresponding reduction in the production of coarse heavily sized cloth, where appreciable weighting by starching and other fillers is employed.

The imposition of 20 per cent. *ad valorem* import duty would not only adversely affect the trade of ourselves and other firms trading on the same lines, but the imposition of such a duty would tend to increase the cost to the mill industry of affected starch products which are essential in the manufacture of fine and higher quality cotton goods.

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(2) *Letter No. C./4099, dated September, 21st, 1932, from the Corn Products Co., (India), Ltd., Calcutta.*

We have the honour to address you with regard to Memorandum placed before you in Calcutta on Thursday, September 15th, 1932, by the Calcutta Flour Mills' Association in connection with imported starching materials.

May we, as the largest importers of corn starch for industrial use, be permitted to lay before you the following for your consideration, with the request that—in view of the serious consequences the tariff desired by the Calcutta Flour Mills' Association would have on jute and cotton mills—corn starch, as heretofore, be allowed duty free entry under item 162 of the Indian Custom House Tariff. We have to advise that the starch imported by us into India as a sizing material for the textile industry, is a straight corn (maize) starch; it is not chemically prepared.

With reference to the statement of the Calcutta Flour Mills' Association that the removal of the duty on starch in 1927 had resulted in a large influx of imported starching materials to the detriment of the local flour milling industry, it is our contention that this alleged falling off in business, is attributable to the general trade depression—with the consequent shorter working hours of jute and cotton mills—and not to any change over by the latter industries to imported starching materials. On the contrary, we desire to state that several large jute mills—who were formerly using imported corn starch in their size mixing—have changed over to locally produced wheat flour in consequence of the latter commodity being offered at a lower rate than imported corn starch.

In substantiation of our contention, we beg to attach hereto for your consideration, comparative statement shewing the working hours of mills, importations of corn starch by this Company and the relative prices of locally-produced wheat flour as against imported corn starch.

The imposition of a tariff on starching materials would result in a very considerable increase in production costs to the jute and cotton industries and would undoubtedly be a severe handicap to these industries under present adverse trading conditions.

We have to express the hope that you will give favourable consideration to the above.

Enclosure.

Statistics regarding Wheat Flour and Corn Starch prices, etc.

Working time of Jute Mills.	Importations of Corn Starch by Corn Products Co. (India), Ltd. Calcutta. Tons.	Bombay. Tons.	Total. Tons.	Wheat Flour Prices. per 112 lbs. Rs. A.	Corn Starch Prices. per 112 lbs. Rs. A.
1927—54 hours per week . .	2,460	2,295	4,755	10 8	12 10
1928—54 hours per week . .	1,576	1,031	2,607	10 9	11 8
1929—*Up to June, 30th*—54 hrs. per week . . . *From July 1st*—60 hrs. per week . . .	1,346	1,721	3,067	10 5	11 13
1930—*Up to June 30th*—60 hrs. per week . . . *From July 1st*—54 hrs. per week, with mills closed down for one week per month from July to December .	1,636	1,505	3,141	8 0	11 4
1931—*Up to February 28th*—54 hrs. per week . .				5 12	*8 8
From March 1st—40 hrs. per week, with the sealing of 15 per cent. of the total complement of looms	1,062	2,042	3,104		†10 14
1932—(eight months) Ditto . .	715	944	1,659	7 2	8 10

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* Prior to September 21st.

† Subsequent to sterling being divorced from gold.

Mr. C. L. Patel, Karamsad.

Letter No. nil, dated the 7th May, 1932.

With reference to your letter No. 203 of 24th instant I have much pleasure, in enclosing my views in connection with Cotton Textile Industry Protection Bill. I shall be glad to give any further particulars for which, I may not be clear here or you may require in addition.

1. Looking to the figures of imports both of value and quality; capacity of production of Indian mills, on double-shift workings and what they produce now and still the heavy stock they have to hold due to high prices, balance-sheets of various mills; the sacrifice given by the shareholders and the managing agents in the past; the interest of British Indians and British Empire, it seems that the industry in question is in badly need of better protection than what it is given now. Protection can be given by various direct and indirect ways, but the following are the main avenues:—

(*a*) By removing import duties on the industrial and agricultural machineries spare parts and beltings.

(*b*) By imposing highest possible duties on all sorts of cloths and yarns, *viz.*, cotton, silk, artificial silk and woollen.

The following example of the world's wisest rulers will give the most perfect idea as to what extent the protection should be given. Taken from History of India, by H. H. Wilson (Vol. 1, page 385 footnote): "It was stated in evidence that Indian goods could be sold for a profit at a price from fifty to sixty per cent. lower than those fabricated in England. It consequently became necessary to protect the latter by duties of seventy to eighty per cent. on their value or by positive prohibition. Had not such prohibitory duties and decrees existed the mills of Paisley and Manchester would have been stopped at the outset and could scarcely have been set in motion by power of steam. They were created by the sacrifice of Indian manufacture.

(*c*) Begging must be prevented by laws. At present in India there are over 52 lacs of people of this type. Maintaining this class is heavier burden than any Government tax, on the industrial and agricultural people. This point requires best attention both of Government and public. By employing this class in labour, the cost of living, labour and production would be cheaper and the Government will also be able to increase her income to some extent. Millions of acres of land are still undeveloped in India.

3. (*a*) The protection in question is required against all the foreign goods of all quality but in case, if United Kingdom (U. K.) requires special terms on account of having her first connection with India, the question must be dealt with separately.

As it is too wide a question, and on no account must only be dealt with this commodity and countries. If it be required, I shall put forward a scheme, by which I think the business people of both the countries will be satisfied.

3. (*b*) I am of the strong opinion, that no such goods although not produced in India must on any account be given preference under robbing classified headings by imposing lesser import duty as the Indian mills and handlooms produced many kind of goods, which can be replaced for the required goods, but not produced in India. If India wants to live in this most critical times, she must only use what she produces.

This is not quite a new idea but the same has been done in the past by the European countries including United Kingdom. One day England was unable to produce goods like India but still to get rid of the best Indian goods from that market, Government of England imposed extraordinary heavy duties against the voice of her subject who were very much pleased and attracted by the best quality of Indian goods and its low value with the difference of 50 to 60 per cent. Not only that but also the wearer had to pay very heavy fines for this penalty.

3. (*b*) According as they are manufactured:—

(*a*) & (*b*) Please see 3 (*a*).

4. The recommendation will benefit to great extent to the handloom industry as the fine and special quality goods which the mills are unable to produce will be handled by them. Mills and handlooms on not a single way are the competitors of each others but are fast friends. Each has its own line to manufacture. Moreover the handlooms use mills spun yarn.

GENERAL.

Japan is the first country under the heading "other countries" which is increasing its trade most rapidly with India at the sacrifice of England and besides, it bids fair to be most dangerous to England not only in the matter of business but also her supremacy in India. It is not too much to expect Japan to be against the Government of India that is of England by declaring *War* for the Commercial supremacy, as she recently did in case of China.

Remember her attitude towards the league of nation; watch she is getting stronger and stronger both in trade all over the world, and power. And the most notable thing is the national spirit amongst her subject.

So it is most advisable to cut this dangerous increasing trade which would surely be the instrument for war between two great nations involving thousands of lives. Still there is time to do it. We are not too late yet.

Consul General for the Netherlands, Calcutta.

Letter No. 1091, dated the 19th May, 1932.

From a press communiqué I have learnt that your Board is engaged in conducting an enquiry into the question of protection for the Indian Textile Industry, after the expiration of the existing duties in March, 1933. As the Textile Industry in my country is greatly interested in this matter, I have advised the manufacturers in the Netherlands through my Government of this enquiry, but I am afraid the time-limit fixed will not allow them to submit to you their views in this connection in time.

With the present I would therefore submit to you what I hold to be in general the views of Netherlands interests on the subject whom, however, I have not yet been in a position to consult. I would request that if—beyond the observations which I have the honour to make in this letter—interested parties in the Netherlands hold views which they would like to bring to your notice, you would be good enough to place the same on record, if possible, even if the time-limit has meanwhile elapsed. I am already in communication with these interests in order to learn whether they wish to make any additional remarks on the subject; if so, these will be communicated to you with the shortest possible delay.

For the present I would, as stated, confine myself to the general aspect of the matter as it presents itself to me.

There are now in existence protective import duties which apply uniformly to all countries of origin, the United Kingdom excepted. Although I am aware that the Indian Industry, before the institution of these duties, in certain quarters claimed protection with a view to the promotion of greater diversification, I believe it can be stated without fear of contradiction that protection was primarily adopted on account of *unfair* foreign competition. Whilst at least *one* case of such unfair foreign competition was definitely made out in the Report of your Board (Cotton Textile Enquiry, 1927), the measures to counteract this unfair competition were extended to

all countries importing textiles into British India, and applied to the *same* extent, excepting the United Kingdom. As you are aware it was not the Netherlands Textile Industry against which the case of unfair competition was made out, as appears from the Report just mentioned, where it is stated (Vol. I, pages 71-72), that it could not be said in regard to imports from any country other than Japan, that there has been any change to the disadvantage of India as compared with the prewar position. That statement as far as my country is concerned holds good to-day as it did in 1927. Now as in 1927 the definition of unfair competition, moreover, as laid down in the Report (page 69), does not apply. Neither has it to my knowledge ever since this Report appeared been contended that either the volume or the selling price of textiles imported from the Netherlands have in any way been a contributory cause of the depression of the Indian industry.

It is felt as a hardship not justified by circumstances that such measures as may have been necessitated by conditions prevailing in *one* country, were *directed* against *all* countries, amongst which the Netherlands, where healthy labour-conditions, according to international standards prevail, and where the industry is conducted along the soundest lines generally.

I am aware that your Board considered at the time the levy of an additional duty exclusively on imports from the country where the unfair competition existed (Vol. I, page 175), but that such a differential duty was deemed undesirable when the object aimed at could be secured in other ways. The method of protection subsequently adopted—an *ad valorem* duty on *all* cotton manufactures had the advantage, according to the Report afore-quoted, of avoiding complications arising from discrimination against particular countries. It was considered that such discrimination might lead to retaliatory measures against exports from India, which largely exceeded in value the imports into British India, in the case of the country involved. Against this the view is held, however, that it was exactly the uniform, or almost uniform, application of this duty to *all* importing countries, which constitutes a form of discrimination, hindering as it does the free importation of goods from a number of countries, in order to be effective towards the one or two countries against which the measures were conceived and directed. In other words, in order to avoid one possibility of retaliation, many new possibilities of retaliation might be said to have been created in respect of a number of other countries.

The main object of the present is to request that your Board, when drawing up new recommendations for the protection of the Indian Textile Industry against unfair competition, may give due consideration to such measures as will not involve countries where no such unfair competition exists. It might be added that the principle of a uniform application of the tariff to all countries was already partially abandoned in the initial stage, where a lower percentage was fixed for goods from the United Kingdom as compared with the percentage for other countries.

In this connection it might not be out of place, although your Board will be fully familiar with the position, to point out the brisk trade relations which have ever existed between your and my country. Also in the case of the Netherlands exports from India largely exceed in value imports, exports in the last calendar year having amounted to 52 million rupees against imports totalling 24 millions. Together with Netherlands India, the Netherlands are the fourth biggest customer (not included the British Empire) for British Indian produce, and much of the cotton required by the Netherlands Textile Industry is obtained from India. Netherlands India is a market for British Indian cotton piecegoods, more especially those manufactured in the Madras Presidency. If it is a sound principle that if a country desires to sell to another country it should be willing to buy from that country, I feel confident that also for that reason the views expressed above will meet with your careful consideration.

Mr. S. B. Tachakra, Amritsar.

Letter dated the 13th June, 1932.

Having read in the papers that the Tariff Board is having its sessions at Bombay to inquire into the affairs of the Indian mill industry and that suggestions are invited with a view to help this industry, I beg herewith to submit the following few points for the consideration of your committee.

Till recent years Indian mills cared very little to improve their productions and kept on turning out cloth in a stereotyped way, irrespective of there being a demand or not for that style of production. But due to the impetus given by the Swadeshi movement, the management of mills opened their eyes and are now trying to cater for the tastes and styles now in vogue amongst consumers. Thanks to the Ahmedabad millowners that they with their enterprise made a start in this connection and now many of the Bombay mills are producing such styles as nobody expected them about a couple of years back.

Although much has been done to improve the production according to the latest standard of tastes, yet a lot remains to be done for the organisation of sales in up-country. At present most of the mills work in up-country in the following two ways:—One is that they have got their own agents in up-country, who open shops on behalf of the mills and they get a small remuneration towards the expenses of the shop and a certain percentage of commission on sales. It should be borne in mind here that those shops deal more in retail business rather than the wholesale. The other way in that some of the leading dealers of this place have their own shops at Bombay and Ahmedabad, who purchase goods direct from the mill premises and send them at Amritsar to be sold to the local dealers. The latter way goes against the local dealers who purchase mill goods from the local agents of the respective mills. The dealers' representative at Bombay or Ahmedabad regularly visits mills and sees for himself the latest style under production and if same appeals to him as suitable for Amritsar market, he readily puts an order with the mill. This advantage is not open to the dealers who buy from the mills' local agents.

During the last boycott movement of the year 1921 some of the leading Indian importers took up agencies of the Indian mills for the Punjab. Orders were booked for forward delivery and at the time of delivery if the Bombay or Ahmedabad market gave better prices for the stuff for which the orders were already booked, many of the mills yielded to the temptation of better prices and sold the stuff in question to Bombay or Ahmedabad dealers thus leaving the Amritsar importers in a most awkward position. I put here the word awkward because the importers in their turn had entered into contracts with the local dealers so far as the forward sale was concerned. No allowances were made for the inability of the mills to supply the stuff, for which they had already received and confirmed orders. The result was that a reaction set in and this was followed by a brisk demand for foreign goods, which continued till the launching of the boycott movement of 1930. Now that the movement is getting strong we find that nearly eight annas in a rupee of the sale are of Indian mill made goods.

But as said above, a lot remains to be done to organise sales in the Punjab. First and the foremost is that each and every mill of importance must have their own cloth branch in this market, controlled by an efficient and experienced man knowing the local conditions. The man in charge would make it his primary duty to ascertain the styles that are in demand and recommend his employers to produce these styles in consignment lots for up-country. Once a thing is placed in the market it will bring repeat orders as a matter of course. He will also make arrangements to secure orders from the wholesale dealers and pass them in to

his employers for execution. This means an identical working as is done by European importing houses who till late had been importing an enormous quantity of foreign piecegoods.

One can compare this with the working system at present in existence with the mills. An agent with the shop is content with what amount of commission he gets through retail and a little bit of wholesale sales. He little worries himself for introducing new styles.

Yet another suggestion for increasing sales will not be out of place here. Though it is an elaborate one, it is quite workable. The mills having their own branches here must appoint distributors in the various districts of the Punjab and North-West Frontier Province (one in each district). These distributors will furnish securities if they want the goods on credit. If not, they can purchase goods as right-off sales, delivery against cash. The writer, with his association till late with an institution which had adopted this system of working, is quite confident of its success. There are many in the districts who want to have connections direct with mills.

Then again, the terms on which the mills work at present require alterations. They are intended to safeguard the interests of the mills while the buyers are exposed to the mercy of the millowners. The dealers have stopped buying from the mills pending the drafting their own terms on which they will be prepared to work with the mills. This is quite a welcome step. Their demands in principal are two:—The first is that the survey for any dispute arising out of the supply of goods of inferior quality than the basis sample on which order is secured should be held in Amritsar.

As regards late shipments, the millowners should make proportionate allowances in consideration of late shipments or the millowners should furnish the dealers with "Force majure" certificate. These demands of the local dealers are quite justified in view of the fact that they enjoy identical facilities from European importers.

The above has been written with the full knowledge of the local conditions during the writer's association of about ten years in the market, for the major portion of which he was in charge of a leading European importing house. And as such the above should have a full consideration by the members of your Committee with a view to recommendations.

Mr. V. R. Kokatnur, Bombay.

(1) *Letter dated the 14th July, 1932.*

I am making bold to send this communication although unknown to you as I am interested in the well-being of the Indian Textile Industry. My qualifications to speak on the subject are that I am a Consulting Industrial Chemist practising in New York, U. S. A., and somewhat of a specialist in Textiles.

While I heartily endorse protection I realise at the same time the responsibilities of such procedure. Protection is a remedy to be applied specifically to specific industrial ills and not a panacea. A remedy by itself cures no disease but aids nature in curing it. Protection likewise is only intended to help the industry to stand on its own legs. I would like to diagnose the case of the Indian Textile Industry and see if the disease the industry suffers from is at all curable by protection alone.

To be in good health, an industry must have its vital parts in sound condition. It is only then that a remedy can at all be effective. The raw materials, the machinery, the power, the labour, the technical skill, etc., are the vital parts of an industry. A little examination will show that none of these vital parts of the textile industry are in a sound condition. The Indian cottons, speaking as a whole, is neither cheap nor

good in quality. That is why a considerable amount of foreign cotton is imported into India. Furthermore the Indian industry is more interested in foreign business than business at home. This leaves the home business unprotected, and makes it an easy prey to foreign attacks. Among the other raw materials may be mentioned caustic soda, soda-ash, bleaching materials, dyes, sizing materials and other accessories all together worth many crores of rupees. Perhaps not one of these is manufactured in India, and their cost to the home industry is 50 to 100 per cent. higher than in the case of a foreign textile industry. From bolt to a nut all the machinery used in the industry is manufactured abroad and is not fitted to Indian conditions from the standpoint of efficiency. Machinery cost to India not to speak of its lesser efficiency is also much higher than to a foreign country. The cost of producing power in textile India is also much higher. The labour is only apparently cheap as it is very inefficient and figured from the standpoint of outturn is quite expensive. The technical skill however good is foreign to the conditions of the Indian industry as it has been nurtured in foreign institutions which know little of Indian conditions. Textile technologist like a surgeon who has studied anatomy from a wax-model finds himself at sea when face to face with a real operation. Add to this the problems of modern management and merchandizing to see the hopeless situation of the textile industry.

The Indian Textile Industry is like a man whose heart does not pump, whose lungs do not heave, whose liver does not function and whose vital glands cease to secrete. Woe unto the doctor who is confident of treating such a case. The industry during its career of about a century does not seem to have developed even one line of advantage over the foreign industry. On the contrary, it is showing signs of senility. The manufacturing cost of textiles in India is probably the highest in the world and is bound to remain relatively high as long as Indian industry lives and moves with borrowed vital organs. If cotton costs 4 annas a pound, to manufacture it costs between 6 to 8 annas. Thus manufacturing cost is fully 100 per cent. higher than the raw material cost. Labour may account for 25 per cent. to 30 per cent., power 5 per cent. to 8 per cent., stores and chemicals 20 per cent. to 25 per cent., management 2 per cent. to 5 per cent., capital charges and depreciation the rest. Every one of these items can be reduced to some extent at least. There is no problem that cannot be solved sooner or later. Leaving aside the increased number of spindles, looms, and mills, it may be asked what cost the industry has reduced and what problems it has solved. If it is not, what guarantee is there that it will do better this time when protection is given.

What I would like to call your attention to, is that protection proves futile if the industry does not realise its responsibility towards protection and fulfil its part in attempting to stand on its own legs.

While I have tried to indicate the hopeless situation of the industry, I am equally confident that lines of advantage over foreign industries could be evolved and the manufacturing cost considerably reduced. I am reasonably sure that Japan has a low cost of manufacture and is not merely dumping its goods. It is a sad commentary on Indian industry that Japan in such a short time should occupy such a position in textile industry as to threaten the very life of the Indian industry that is four or five times older.

If the line of argument of this letter interests you at all, I will be glad to appear before you and show you the ways and means of developing lines of advantage for the industry and reducing its manufacturing cost.

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(2) *Letter dated the 26th September, 1932, from Mr. V. R. Kokatnur.*

While protection is good and necessary to avoid any more economic upheaval, it is not believed to be beneficial to industry as such.

To talk of competition to Indian industry is absurd. Competition like equality can only exist between members of the same species. We do not

compare a dead horse with a live horse nor a horse with an elephant. Except in name Indian Textile Industry has no counterpart anywhere else in the world. If at all, it is an extinct species. If Indian industry is textile, anything that wears a dress and walks will have to be called a human being.

Regarding many questions and particularly 39, 40, 41, etc., prescription depends upon diagnosis. It is claimed that the disease cannot be properly diagnosed simply by trying various remedies at random in a wasteful process.

We can only be expected to answer questions of technological nature where our experience can be brought to bear on them.

Question 6.—Can be answered by stating that perhaps a large part of Bombay's Industry may be shifted to Ahmedabad. Bombay's Industry has set itself a higher standard of living and not efficiency. It is in the hands of people who appear absolutely modern and up-to-date in their habits and living, whatever may be their true under-dress. Everything in Bombay costs more than in Ahmedabad. Land, labour, fuel, supervision, office and storage, all account for the higher cost. While Bombay millowners may perhaps feel conceited and probably believe that their modern appearance is really true because, they ride in better and more expensive motors, attend expensive clubs, employ so-called foreign or foreign trained technologists and buy the expensive and what is told to them as the most modern and up-to-date machinery and specialize in wearing clothes not made in their own mills. The Ahmedabad millowners while not any more modern than their Bombay colleagues, at least make no pretence to it, and can be called more efficient so far as unit cost is concerned. Their office, supervision, technical labour expense, are much less than in Bombay, and they seem to understand their market much better. We are stating these things not as facts, but what probably may be and perhaps is true.

Question 11.—No. Japan is already buying our cotton. The supply of the Indian demand in short staple cotton goods is real, and either India or some one else must and will have to supply it. So the cultivator will not suffer.

Would be interested to know the figures tabulated in questions 15 and 16 for criticism. We however believe that it would be difficult to find true unit cost figures in Indian mills. First very few mill heads or departmental heads know what unit process cost is and how to compute it, and when they do know, they find it unnecessary and probably convenient to group the various costs under one broad heading. The actual bleaching, dyeing or mercerizing costs or power costs in these various operations are probably unknown.

Would be interested to know the answers for questions 20, 21, 22, 24 and 32.

Question 35.—(A) This should not only be answered by the Mill but the Mill should state what effort it has put in these directions, no system or organization can prove effective if they are the results of deliberations from external interference. To be effective the system or organization must have genuine interest in it and develop lines of attack from within.

It can be asserted that some reduction can be made in each one of the things mentioned. I may be willing to throw a guantlet that I can substantially reduce the cost of manufacture of any one or two mills if given in my charge for a period of 5 years provided no unforeseen emergencies arise to vitiate such reduction.

(B) No experience to give such details but approximately no less than 20 per cent. reduction in each one of the items can be made and probably no less than 50 per cent. reduction in total manufacturing costs. (1 and 11 and a, b, c, d, etc.) Most of these sub-questions cannot prove as panacea to all mills under all conditions on mere theoretical considerations. Each case has to be studied by itself and a separate remedy applied to fit each case. What seems to be necessary is to blow life into the management and insist

that it show progress periodically to an examining committee of a group of exports recommended by the Tariff Board.

(x) Millowners Association being a voluntary association cannot be expected to have executive power. Voluntary progress will only take place where there is ambition, desire, will and honesty to self.

Much interested in answers given to sub-questions xii and xiii.

Not in a position to answer question 36.

Question 37.—It would be difficult to believe that in any other civilized country, labour conditions would be found to be worse than in India.

Would be interested in the answer to question 38.

Question 44.—Either you must eat the pie or have it. It is not possible to do both even partially. National interests are bound to clash with foreign interests, be they 100 per cent. foreign or empire foreign.

Question 45.—No.

Mr. R. S. Sethna, Bombay.

Letter dated the 19th July, 1932.

I have the honour to send you as requested seven copies of the answers to your questionnaire.

Enclosure.

Answers to Questionnaire of Tariff Board (1932).

5. If Bombay mills reduce their prices of cloth the up-country mills do likewise to keep their hold on the market. They are usually in a position to produce cheaper cloths for various reasons, hence they will not mind a corresponding decrease in their selling price.

6. Yes. In spite of existing duties foreign piecegoods are dumped in our markets. Should the duties be withdrawn, foreign goods would get a tremendous impetus to the detriment of indigenous goods, causing cessation of many additional mills and increasing the number of unemployed.

11. (A) Yes. Japan will flood the market with her piecegoods. It is a very well-known fact that Japan mixes foreign cotton with Indian cotton for the manufacture of her cloth. Thus, a part of the cotton in all Japanese cloths will not be bought from India, whereas, Indian made cloths are exclusively from Indian cotton, except finer sorts.

(B) Indian mills have made a marked advance in finer sorts during a very short period. They were encouraged partly by the present duties. Should duties be enhanced we consider that it would mean more production of indigenous cloths which would create a demand for long staple cotton produced in India.

13. (A) Shirtings, Sheetings, Longcloths, Drills and Twills, Dhuties, besides this, Printed and Art Silk goods from Japan adversely affect our markets.

27. A mill should have 30,000 spindles and 1,000 looms or in such proportion to consume practically all the yarn produced. The average counts to be spun should be 20s to 24s for Shirtings, Chadars, etc. The annual yarn production would be about 35 lakh pounds, whereas, the cloth annual production will be about 44 lakh pounds. (35 lakhs is got on 6 oz. per spindle × 26 days × 12 months. 44 lakhs is got by 14 lbs. × 26 × 12).

29. $2\frac{1}{2}$ per cent. on buildings and 5 per cent. on machinery. (1) These rates are fair, (2) 3 per cent. and 10 per cent. for double-shift seems fair.

31. Banks in India do not give the facilities as desired and that Banks in other countries offer better terms. The rate is about $7\frac{1}{2}$ per cent.

33. Costs are not given but several mill Agents are connected with mill stores and machinery as well as cotton firms. Rates are unknown.

35. (A) Labour should be unchanging; this can be achieved by offering a bonus at the end of every year of their work for regular attendance and good behaviour. Monthly prizes in all departments must be offered for highest efficiency. Legitimate grievances of workmen must receive sympathetic consideration. Substantial reductions in cost would accrue by discarding antique machinery. As far as possible one or at most two makes of machinery should exist in each department. Particular attention is drawn to the latest types of machinery such as Casablanca. Four Roller or High Draft System in Spinning and High Speed Warfing and Winding as also Automatic looms in Weaving. The first lot does away with a whole process, without any deterioration in the quality of the yarn. In fact the yarn is more uniform and has better test. The latter group produces a better quality of cloth. The most important factor is the cotton. This must be of the right quality for the counts. The practice in many mills is to go as fine as possible on all classes of cotton which results in bad yarn, bad cloth, low production with maximum of exertion of the worker.

(A) (i) It is most improper and unjust to "standardize" the muster roll or the rates. The following reasons will support this statement. Firstly, the layout, machinery and working conditions vary in all mills. Then again the cotton consumed and the quantity of stores purchased in all mills vary considerably. It is quite natural that where the layout, machinery and conditions are good, and where a better class of cotton and stores are used, one will get more production than another who has not the same advantages. In fact, it would be quite possible for an indifferent worker to get as much production or even more as the efficient worker labouring under the other group, *i.e.*, bad cotton and stores coupled with bad outlay, machinery and uncongenial conditions.

(A) (ii) It would be better if spinners were paid on production. But this can only be fair when a better class of cotton is used. Otherwise spinners should be paid per doff, irrespective of short weights due to breakages. If the cotton is not of a better type, additional spindles to spinners will not pay.

(B) Yes, subject to the following conditions:—(1) Automatic looms be introduced. (2) Conditions in the shed should be improved by artificial means (*i.e.*, foul air should be expelled and the Temperature and Humidity should be proper). (3) By employing a certain number of spare jobbers and boys to assist weavers in "goiting up" beams, repairing smashes and doing minor jobs. The boys to bring weft to the weavers and return their empty pirns. (4) The Weavers' Beams must be perfect or at least good as it affects labour and efficiency. It may be stated that one of the causes of bad beams is due to shortage of slashers or sizing machines in some mills.

(C) Improvement in the condition of machinery, consumption of best materials and discipline where there is low efficiency due to supervision will create good economy in the preparatory departments.

(D) Competent weavers be paid a fixed monthly wage for a couple of months to get used to these looms. Intelligent line jobbers and Fancy Jobbers be given special training for a short period under expert supervision in an institute opened for the express purpose of training labour. This class of labour should get 50 per cent. more wages than the ordinary sort.

(iii) Schools of the type above mentioned should be increased in mill centres.

(iv) If the mill specialised in certain sorts, the men would be more efficient, the wastages would be less in yarn and cloth due to bad weaving, dyeing and finishing. A smaller staff can manage the work efficiently. Besides the quality of cloth can be standardized. There are not many difficulties which have to be met before specialization takes place. Special or drastic changes are necessary in a few sorts only. Manchester mill furnishes one such case.

(v) The existing organisation of mills in general is far from being satisfactory in many cases. Some of the reasons are (1) Indifference of Agents

towards the technical side, (2) Wanting in proper supervision, (3) Engaging clerks and accountants in managerical posts.

By amalgamation or grouping of mills there will be no improvement unless and until heads of various departments are persons of impeachable character and highly qualified technically. These men should be selected irrespective of colour, caste or creed.

(vii) The "Personal touch" is wanting. Agents should not have too many irons in the fire. They should have their head office at the mills and not in Fort.

(vi) They should make it a point to know something on the Technical side. They should at times check costings. They should know their stocks of cotton, yarn and cloths lying in their godowns as sold or otherwise. They must at times go to the market to make personal investigations about his cloth quality and prices.

(vii) Yes.

(ix) Yes, it is absolutely necessary. Strong reserves must be created for paying dividend in lean years and for replacing old machinery as well for extension. Agents prefer to give higher dividends for more than one reason.

(x) (*a*) The Japanese system should be followed.

(*b*) They should have at all important centres something like a small "India House" in England. They should have guarantee brokers at all these centres. The Agents themselves should visit these places at least once a year to learn on the spot why their goods are not preferred. They should advertise their goods by Cinemas, etc.

(xi) Conciliation Committees should exist in the mills. All Broad questions should be discussed prior to any changes. This Committee must not be "packed". All Registered Trade Unions should be asked to co-operate with the Agents. The Agents must persuade their technical staff to join Trade Unions. Trade Unions must be given donations to win their sympathy as it is an important factor in the decision of strikers. Agents must lend money to the extent of 75 per cent. of the mill hands' earnings at a nominal rate of interest, say 9 per cent. per annum. They should also undertake to provide rations at cost price; a fortnight's privilege leave on full pay must be given to all after one year's regular attendance and good conduct in the mills. Provident Funds, Old Age Funds and Unemployment Funds must be registered in all mills at an early date.

36. Yes. Much "Window dressing" is practised in the Balance Sheets. The form of Balance Sheet must be standardized to allow comparisons with other mills. The voting power of the Agents must be curbed. The abuse of "proxies" must be mended. There should be a sliding scale for voting. The scale suggested is as follows:—

1 share—1 vote; 2 to 3 shares—2 votes; 4 to 10 shares—4 votes; 11 to 100 shares—10 votes; over 100 shares—50 votes.

There must be a Government expert to see if the depression and other funds are rightly utilised. Provident funds must exist in all mills and they must be registered. Cotton contracts made by the Agents must be in the name of the Company and not in his own name. All Cotton contracts must be registered the same day in a Government Office kept in the Cotton Bazar. All auditors must thoroughly examine the list of contracts before certifying the Report. It should be made criminal for Agents and Directors to give their shares to members of their staff or friends, in name only, to create votes under their control. A hundred or more shareholders may apply to the High Court through any one of them at the cost and risk of the representative, to get removed any Agent or Director who is found to be involved in any illegal transaction. The Agent or Director shall defend the same at his own risk and cost, without any recourse to the Company's fund.

Directors and Auditors must be the real representatives of the Shareholders and not in a theoretical sense. Articles of Association of the mills

must be amended to prevent the Agents from doing any business foreign to or not directly connected with the mills.

37. Yes, Japan is benefited by inferior labour conditions.

38. The present fall of the Yen is playing havoc. Should the artificial manipulation succeed in stabilising the Yen at present, then the Cotton Industry is doomed, unless Government step in and give adequate protection by way of increased Import Duty in proportion to the advantage of the Yen taken by Japan.

39. Yes. The protection should certainly continue. (ii) The Duty be raised by an additional 30 per cent. (iii) For five years provided the Yen works against India but as soon as the Yen stabalizes at its proper level, the Duty should be decreased correspondingly.

Mr. A. H. Manek, Bombay.

(1) *Letter dated the 20th July, 1932.*

I have the honour to submit hereby my written statement containing the answers to your questionnaire. If necessary, I shall be glad to give oral evidence when requested to do so.

Being an investor according to my capacity, and having had long experience in the handling of textile goods, I think, my efforts to help you may serve some useful purpose.

Enclosure.

1. (xix) It has always been the rule in the textile trade that the movement of prices in any particular range of cloth is apt to react on the price of other cloths of similar or entirely different nature. The buyer substitutes close ranges one for another for inducement of prices, qualities, etc.

(xxi) The imports of artificial silk cloth and of mixed cotton and artificial silk fabrics are certainly in competition with real silk goods to a certain extent, but now-a-days they are in extremely keen competition with cotton goods also. If the cost is 2 annas 9 pies c.i.f., it makes other goods less saleable as women prefer artificial silk goods of same or slightly higher value to cotton goods although the latter wear better, and this competition the millowners naturally dread so much.

5. If prices were reduced at Bombay and/or Ahmedabad which are the principal manufacturing centres of the cotton industry, prices prevailing at important centres of production would certainly be affected to a greater or smaller extent. Consuming centres very often send telegrams right round before they buy any quantity in bulk.

6. This question relates to an hypothetical circumstance. If the protective duties were withdrawn in 1933, I should think the other manufacturing centres in India could not take the place of the mills in Bombay and Ahmedabad in supplying the requirements of India in cloth which these mills have catered for so long, because the railway freights from and to centres in the interior are so high that in my judgment the very large portion of the business would be taken up by imports from other countries. It has been reckoned that the railway freight from Sholapur to Bombay for a short distance of 283 miles is about the same as the transport both ways from Bombay to Kobe with raw cotton and of piecegoods from Kobe to Bombay (page 596, Vol. IV, Tariff Board Report, 1927). This would enable Japan to capture the trade to a greater degree than all other importers combined. The Japanese Government is always a ready and prompt helper wherever their industries could be helped, and we may depend upon it

that they will do their level best to capture trade under such circumstances, which however could not be thought of, as no disaster would be greater in the interests of the life of the country.

8. I am afraid, the easy-going Bombay Millowners have taken few, if any, steps to develop the export market for Indian yarn and piecegoods actively. They wait for orders to come to them, and they apparently do not actively cater for the trade of Mesopotamia, East Africa and the Near East places. A sum of Rs. 50 per month per mill *plus* a commission of about 2 per cent. would secure for them a competent and experienced traveller who could cover not only these places, but also Java, Sumatra, Siam, Philippine and Australia. Unless there is a tremendous fall of consumption in the Indian market, I am afraid the millowners will not stir themselves in this matter.

10. (vii) The handloom weavers who use artificial silk yarn are complaining bitterly that their trade is gone as the Government of India are levying duty on artificial silk yarn, and the Japanese artificial silk piecegoods are dumped at such cheap prices that they could not possibly compete with the imported artificial silk fabrics. In my opinion, the Government of India should entirely repeal the duty on artificial silk yarn, as it will be helping both the handloom weavors and the cotton industry in India.

11. (*a*) A decline in the output of Indian mills which use indigenous cotton very largely will certainly affect the cultivator as so much less Indian cotton will be used.

(*b*) The Indian cultivator will only grow long staple cotton if he has sufficient encouragement by scientific help in agricultural matters. All possible facilities, financial and other, should be given so that there may be direct encouragement for growing long staple cotton. But the mere imposition of duty on long staple cotton against the mills will not by itself be such an inducement for the cultivator to grow long staple cotton. Japan at present is the largest foreign purchaser of Indian cotton, because its cheapness suits her. Already she has been trying to grow short staple cotton in Korea and elsewhere, and price is so much a consideration to her that she has dropped the Indian cotton readily when she could buy American cotton cheaply at slightly increased price compared with Indian parity, and because she was longer on the gold standard after England and India gave it up facilitated this for her. The moment Japan is able to draw her supplies of cotton from elsewhere, there is nothing to prevent her from doing so. With regard to the break in the price of Indian cotton, I agree with you that the Indian cultivator may get a lower price for cotton sold for export, because the export merchants and the Japanese are very keen buyers and the price they pay affects more or less the price of cotton bought for internal consumption by millowners. In my humble judgment it will be a long long time before the cultivator grows sufficient long staple cotton to meet the increasing requirements of Indian mills and the demand of exporters before it becomes a glut on the Indian market.

12. The present import duty of half an anna per lb. on foreign cotton imported does not help the Indian cultivator in the present circumstances. If such a long staple cotton is grown in larger quantities, it can readily be absorbed by the Indian mills in preference to importing it from Africa and America. In any case the new duty has not stopped such imports of foreign cotton. It is difficult to believe that the duty has been imposed at present for purposes other than those of revenue. It would have been more advisable not to have imposed it in the present difficult situation of the Indian mills.

16. *N.B.* (2).—If the object of this question is to ascertain correctly the manufacturing costs of the products of Indian mills, I submit the Board is wrong in excluding depreciation, interest on working capital, and the selling agents' commission from same. These items must be taken into the cost of manufacture and in fixing selling prices. If these are not realised in the selling prices, they cannot be recovered in any other way.

These items are a part of manufacturing costs and they must come out of the selling prices. If they are excluded, the profits looms fictitiously large (if any). Depreciation really should be treated as a charge for hiring out the mill factory and its machinery for production purposes. If that was done, those that work the mill would have to pay the charge in producing the goods. And any method that does not include these items in the cost of production is not the correct one to ascertain manufacturing costs. The same remarks apply for interest on funds necessary to buy raw cotton and to pay labour's wages and to defray the expenses of consumable stores, such as sizing, dyes, etc. If the mills make no profit owing to depression of the market, and if no depreciation reserve is provided for it is an additional loss all the same for the wear and tear of the building and machinery. It is all very well to make depreciation as a first charge on profits for steadily prospering industries. Whatever losses the mills may be making in the present depression the want of provision for depreciation is so much extra loss. Very few industries have reserves in cash which they can draw upon in the present times of acute depression without having to pay the bank interest on funds borrowed which is now-a-days an unavoidable necessity.

23. Being not actively engaged in the manufacture of cloth in a mill, my estimate cannot absolutely be accurate, but it seems to me that on a rough calculation the present cost of manufacture is bound to be higher by at least 10 per cent. Reckoning the landed cost of American cotton at 5 annas, ½ an anna duty alone increases it by 10 per cent. The evidence given before the last Tariff Board was that about 5 to 6 per cent. is the cost of consumable stores used, *plus* about 1 per cent. more or less on this item, not to speak of an increased charge in the replacement of machinery parts which wear out by ordinary usage. Thus these new duties would probably increase production costs by about 8 per cent.

31. Whenever the bank rate in England is reduced manufacturers there rejoice as cheap money facilitates industries. It is not unreasonable for us to hope that an all-round 5 per cent. rate is most desirable, throughout the year.

33. As a shareholder I have always regarded the managing agents as our executive agents. As such, they ought to be and are the servants of the shareholders with power granted to act for them and on their behalf for a consideration which is about 10 per cent. on the net profits, which is very reasonable. In return for that remuneration, and they are supposed in the ordinary course of business to do their level best for the industry. Ability, business acumen and a certain amount of experience are expected of their as a matter of course. In my humble judgment if they act honestly and diligently, this system of managing agents is indispensable. But if they make secret commissions on the purchases of cotton used in the mills it is nothing short of dishonesty.

Machinery, Stores and Coal.—Unless they are special agents for the sale of these for everybody in common and not exclusively for the mills for which they are agents, they have no right to charge a commission on such purchases. They are supposed to buy these at the best obtainable cheapest market price. Any deviation from this ordinary business honesty is a dereliction of duty.

Insurance.—Similarly if insurance is one of the spheres of activities of the firm to which they belong not specifically for effecting insurance of the mills under their charge but for outsiders as well, they are then entitled to retain a sort of agency commission which is paid to insurance sub-agents and to nothing more. The Shareholders' Association is taking up this matter, and I therefore do not wish to enlarge on these answers at the present juncture.

35. (A) & (B) are comprehensive, and I propose to answer same in the respective subject headings as specified by the Board and the rest under different headings of mine.

35. (A) (i) I understand the millowners had formulated a scheme of standardisation in respect of wages, etc. But labour leaders of the militant type prevented the consummation thereof which is indeed a great pity. As regards the general behaviour of labour leaders of the Trade Union, I am dealing with this subject extensively under the heading of Trade Unionism.

(ii) I answer these questions also under Trade Unionism.

(iv) As to whether the idea of specialisation of particular mills in the manufacture of particular kinds of cloth can be carried through depends upon the concerted action of the millowners themselves. The discussion of the Merger Scheme shows that there is no complete concord amongst them and this matter must be regarded at the present moment as resting on the laps of the Gods.

(vi) All I can say with regard to this matter is keener supervision and economy in the foot-steps of Ahmedabad millowners is most desirable. I am an admirer of the Ahmedabad millowners for their economy, keenness and efficiency of the management of mills to which they devote great deal of exclusive attention. Because the managing agents have many fingers in other pies, that is no reason why slackness of supervision which would ensure as much efficiency as the Ahmedabad and the Madras Millowners are capable of ensuring, should result.

(vii) My answer to this is in the negative. Please see my answer to question 16 (*N.B.*) (2).

(viii) Indians are stated to be gullible fools, myself included. Unfortunately, there has been a great deal of writing down of capital already. In the case of those mills which have watered their capital, there is no help to avoid it.

(ix) It is certainly desirable that the mills in the ordinary course of business expediency should limit dividends till depreciations have been fully provided for. It is desirable, but unfortunately not always practised.

(x) (*a*) Co-operation in the purchases of raw cotton like the Japanese is desirable and practicable to a certain extent, but I do not think the millowners will combine for this purpose. From the shareholders' point of view, we must wait till this consummation is brought about. Let us hope we may not have to wait too long.

(*b*) Having been a salesman practically all my life I lay very great emphasis that a responsible working man who controls sales should be in much closer touch with the dealers and the selling system and the market tendencies of the different consuming centres in the interior of India like Delhi, Amritsar, Cawnpore, Calcutta, Madras, Rangoon, Colombo, Secunderabad, Rawalpindi, Quetta, etc. At each of these places they should have not a clerk merely, but a competent agent with long experience of salesmanship. Anything *less than that is false economy if not neglect of duty.* How many are the millowners who have such an arrangement? Very few of them can call themselves practical salesmen in the real sense of the term, and that is unfortunately the curse of this industry. Everywhere else industries are capably represented in this matter. Closer touch with consumers and dealers is an unavoidable necessity. But excuses are made from time to time and until the present selling system is abolished, we will have to put up with this deficiency on the part of the managing agents.

(*c*) Having previously travelled in most of the consuming centres of the textile trade, I often receive requests to make arrangements for representation in this matter, but the vested interests and the selling agents and the easy-going tendencies of the mill agents in this matter have met with no success to the detriment of the mills themselves and of capable merchants and dealers there. A friend of mine in Calcutta who is financially well placed and who has 25 years' experience in the handling of Indian mills goods made a feasible and a very practical suggestion to represent a group of mills which would give him a large selection of fabrics so that he could establish himself in the heart of the market places (native bazaar) and serve about

900 retail dealers that are *only too anxious* to buy mills' manufactures if offered without the parasitical profits which the unnecessary middlemen swallow without giving any efficient service in the disposal of the goods. Often they have stated that there is a demand always for mills' manufactures if only unnecessary middlemen's profit is obviated. I have given up in disgust the attempt to bring these two parties together for their mutual benefit on account of the vested interests. I have also come to the belief that the decreasing purchasing power of the people especially the agriculturist, and the force of circumstances will compel the mills to change their methods of sale in course of time, and anybody that can bring about this desirable consummation will be a great benefactor of the Bombay Textile Industry. Ahmedabad does it. Northern India mills do it. Madras does it. Why not Bombay? The retail dealers are the real outlet, and they are precluded by these parasites from earning their legitimate profits by rendering real service in the disposal of the goods. These remarks of mine are disagreeable to interested parties, and they consider that it is a fetish of mine. Before the war Manchester supplied 3 times more of what they do now, and the mills only a third. Now the position is reversed through the Swadeshi Movement, and I certainly think that if this wretched selling agency monopoly system had been dropped, the mills would have done much better. In this matter also there is nothing left for the shareholders to do " but to wait and see ".

(*d*) See my answer to your question No. 8.

(xi) See my remarks under Trade Unionism.

(*xii*) The answer to this question has been included in your other questions.

(xiii) Apparently none. If any improvement has been made, it is a matter of congratulations for the shareholders.

36. See my answers to your question 33. The jute industry in India is very efficiently managed. So are many of the Ahmedabad Mills and the Madras and Madura Mills. In this connection, I beg to refer the Board to my answer to the last Board's question 41, page 152, Vol. IV, of the Tariff Board's Report. I do not believe in running down unnecessarily the managing agents or the managing agency system. I am aware of the fact that many of them have acquired long experience and at the present time to remove them would be a difficult matter. It is easy to criticise, but we cannot replace the officials that are at the head of the mill agents' business actively engaged in carrying on the work, but at the same time it could not be denied that the present " Indian Companies Act " needs revision without delay. *All* of them have not outlived their usefulness. It is a case of *mending* and not of *ending* them, because they were at one time " entrepreneurs " in initiating the industries and also in financing them up to the present time. But that can surely be no reason to continue them if they are not efficient to meet the requirements of the present day. It is a question of the battle of the brains and the survival of the fittest. Those that are not competent or energetic enough ought to give way to those that are, rather than kill the industry by slow annihilation. The Articles of Association made by them is in the way. It is the Government's duty to see that any industry that takes money from the public is honestly, efficiently and capably managed. If there are any clauses in the Articles of Association that prevent this being done, they should be considered void by the amendment of the Companies Act. Above all, no new companies should be allowed unless their Articles of Association are previously examined by a competent Committee of the Shareholders' Association or by any other properly organized body. In any case no agency arrangements can be allowed to last longer than 5 or at the most 7 years. Furthermore, accounts at the yearly meetings should be clear and exhaustive in regard to the particulars that would give a clear account of their trusteeship for a year. No blind imitation of the present amended British Act is desirable, but clauses to suit present Indian circumstances should be incorporated in the proposed amend-

ment of the Indian Companies Act. The Shareholders' Association are taking up this matter, and I hope they will deal with it patiently and in no stricter manner than the circumstances of the case call forth.

37. The conditions of labour in China are said to be inferior as compared with those of India. China has been shipping yarn to India, and careful attention should be given to the Millowners' representation in this matter.

38. *Bounties, Subsidies, Exchange Depreciation.*—I am answering these under the heading of Dumping, Exchange, etc.

39. Protection, Rates, Period, etc., have been answered by me under the special heading of Protection and Dumping.

42. *Definition of "Plain Grey" piecegoods.*—In commercial and technical language "Plain Grey" goods are really those in the construction of which grey yarns form the predominant part. Coloured borders, headings, stripes, runs, etc., should not exceed as a limit 20 per cent. minimum or 30 per cent. maximum. The mere fact of the amended Tariff Act having defined "Plain Greys" contrary to the usual custom of the trade cannot make other goods "Plain Greys" which are not plain greys. Some dyed woven goods have been classified by the Customs authorities as plain greys which are neither bleached or dyed in the piece, and which do not fulfil certain other conditions as to headings, etc. I think a limit should be placed as regards the maximum quantity of colour used in embellishing grey goods. Mr. Hardy on page 47 of his Report states that "if any colour or other foreign material or mixture is used, the grey saries will be 'assessed' 11 per cent. as cotton piecegoods if the widths covered by the extraneous material is less than ⅕ of the width of the cloth." I do not think the Sea Customs Act anywhere authorises any Collector of Customs to do so, and I think a distinct and authoritative ruling on this matter should desirably be made. I also support Mr. Hardy fully in the suggestions made by him as to define clearly the different classes of cloth not only for the purposes of assessment of duty, but also for statistical purposes, so that correct comparisons may be made between cloth manufactured in Indian mills, those imported and those exported. Now when duties have been so much higher than 3½ per cent. of pre-war times, clear definitions and distinctions are absolutely necessary, but in defining them the Chambers of Commerce and the Millowners should be consulted, so that a uniformity throughout may be established in the Indian Trade, in accordance with the practice of traders, and not ignoring trade-custom. That is the most desirable way to avoid confusion by designating same goods by different names.

43 & 45. *Protection.*—I submit that unless the significance that you attach to the word "Protection" approximates that which I attach to it, it is obvious that we cannot gauge its importance sufficiently. It also goes without saying that neither the Government of India nor the Tariff Board can give it a significance different from that which is given by commercial, financial, industrial and economic people to it. Unfortunately, "Protection" is viewed from different angles and different points of view some of which are entirely untenable. In my humble judgment "Protection" has two principal fundamental constituents:

(*a*) For purposes of revenue.

(*b*) For purposes purely and simply to protecting or safeguarding the domestic industries of a country.

The two purposes must be judged separately and independently. Government must have revenue to carry on the administration, and if once a rate of duty and the basis of assessment-value have been defined, they must be properly carried out, otherwise Government might lose heavily in the revenues. The considerations of revenue do not also govern the considerations of safeguards. In my opinion, if an industry has to be safeguarded, its efficiency or inefficiency or its other attributes do not make the necessity of protection any the less. People think that if a certain amount of "Protection" is given or increased from time to time, Labour should be

similarly compensated. Others think that if the mill management is inefficient that circumstance precludes it from its right to protection. All these considerations are beside the question of the merits of the policy of protection. The Fiscal Commission having recommended protection to all Indian industries after careful deliberations, and the Legislature having approved of same, protection must be recognised as the commercial policy of the Government of India. It is independent of the exigencies of revenues for Government or the misdeeds of the officials of the mill agents or others. This policy of protection adopted by all civilised nations embodies an economic doctrine of establishing, developing and preserving a country's manufactures or industries with a view to give continuous employment to Labour confining same mostly to the sons of the soil. Protection can therefore be taken to be a policy independent of any other considerations than those of safeguarding. It helps to create the nation's purchasing power by developing most of its resources. The means adopted for this purpose are discriminating tariffs, bounties, premium, rebates, drawbacks, etc., so that the commerce and industry of a country may be fostered. Its outlook cannot merely be provincial, but national, and for the good of the whole country. All civilised governments recognise that their duty does not merely consist in policing or preserving law and order, but primarily in creating a national dividend so that the citizens of a country may have permanent employment thus creating the wherewithal from which administration charges, etc., may come out. The way all civilised countries have conceived and operated the policy of protection shows that efficiency is not a condition precedent to the granting of protection, but a condition subsequent which naturally and gradually results from the policy of protection being carefully and effectively operated. The present acute trade depression operating throughout the world has necessitated all nations more or less to invade one another's territories to "dump" goods. Therefore, it is a matter of extreme difficulty for each nation to guard to the best of its abilities the country's diminishing trade both internal and international. Having defined these preliminary considerations, it remains for us to deliberate as to the proper method of administering it by common consent. Importing duties are considered to be their best remedy. But import duties will be circumvented by depreciation of exchanges or separate bounties or subsidies, etc. We have found by actual experience that discriminating tariffs alone are not sufficient to safeguard industries, as such duties can be circumvented by the depreciation of the exchange as is now the case with Japan. Therefore an Exchange Compensation Act is found to be necessary to prevent this nullifying or minimising of the import duties.

Bounties.—Bounties have been found to be useful for an industry to secure foreign markets. Bounties are an item of expenditure to be defrayed out of the revenues of a country, and therefore a burden on the taxpayers and not as good a deterrent as the safeguarding duties. On the contrary, it helps the foreign aggressor to dump the goods to suit his convenience at the expense of the taxpayers of the country where such goods are dumped. We have no need to consider the other means if we can make the import duties and the Exchange Compensation Act together effective against all subterfuges and circumventing tactics of the foreign aggressor.

Proposed Duties—

Cotton goods	50 per cent.
Artificial silk yarns	Free.
Artificial silk fabrics	100 per cent.

Bleached goods to be divided into a few prominent classes that will comprise the usual importations, especially those from Japan and elsewhere, that come into direct competition with Indian mills. As Mr. Hardy states, there will be a few border line grades. If we omit the lowest two grades, the difficulties will be avoided. The rest could have a minimum and a maximum tariff valuation fixed in accordance with the relative prices of representative mills, or of representative grades of same or nearly similar

goods imported from European countries in normal trading excluding those imported for dumping purposes. The average prices of these in normal trading will be a fair guide. If once the difficulty of the initial fixing of tariff values is got over, subsequent revisions will take care of all complaints in the beginning which can be altered to suit the new circumstance that may arise. There is no other way of getting over the difficulties of assessing values for purposes of duty. Mr. Findley Shirras in his evidence (page 377, Vol. IV) before the last Tariff Board supports my suggestion of Tariff valuations in answer to a question as to what rate of duty you propose to impose to meet Japanese competition. His concise reply is: "It would be a duty which would be at least equal to the difference between the import price, c.i.f. price, and the price of your representative mills in Bombay".

If an import duty is put on you, you would measure it in the light of the cost of production and the price of the imported article? He also suggested to take the average price for 6 months or for a year for various articles. He suggested the same rates for depreciation as the income-tax authorities allowed, and 6 to 8 per cent. as a reasonable return on capital. His idea was quite correct to take the selling costs of representative concerns which must necessarily be well regulated mills. If his suggestions had been followed out by the Government of India the last Tariff Board would have come to levy a rate of duty which is considered reasonable by United States and Japan herself, and which would have been quite in conformity with the findings of the Tariff Board of 1927 (see pages 175 and 221 of the Tariff Board's Report). According to the findings of the Tariff Board, the rate of duty should have been—

	Per cent.
(*a*) Actual and unfair advantage to Japan in manufacturing cost	4
(*b*) Reasonable return of capital on cloth (page 175) .	8
(*c*) Depreciation claimed and allowed by income-tax calculations	4½
(*d*) 18*d*. exchange disability admitted to be 4 to 6 per cent. (page 221), say, a mean of 5 . . .	5
(*e*) Japanese exchange depreciation being less than 153 to 100 Yen normal	8
	29½
Contingencies for slight errors and calculations . .	1½
Total .	31

This amount should have been allowed by the Government of India in 1927 which for some reason or other, the Government of India did not see fit to grant, and which subsequent events have found to be indispensable. It is inevitable that to save our industries a 50 per cent. duty is now essential provided with an Exchange Compensation Duty of 35 per cent. maximum if the exchange is at the present level. This Exchange Compensation Allowance should be decreased if the Japanese Rupee exchange rises above the present level of Rs. 100 for 100 yen and decreased as it approaches the normal level of Rs. 150 to 100 yen. I will discuss this more fully under the heading of Rupee-Yen Exchange.

Dumping.—The Japanese Cotton Shippers' Association in Bombay have denied that there is any dumping on the part of Japan by taking their stand on the definition of dumping given by the Fiscal Commission. It is tantamount to being wise after the event for us to say that the Fiscal Commission and the British Safeguarding of Industries Act erred in defining what dumping really is. In the light of subsequent experience both the

definitions are found ineffectual and unequal to cope with the devices adopted by Japan in circumventing them. The Fiscal Commission could not have anticipated that Japan would be manufacturing Dhoties in 1926 and dump them at cut-throat prices in Bombay and Calcutta. Dhoties have no sale in Japan, and therefore Japanese and Indian prices could not be compared as a test as to whether they constitute dumping or not. Neither could they have anticipated that taffeta can be sold at a c.i.f. Rupee price of 2 annas 9 pies per yard. Neither did the British Safeguarding of Industries Act which had the German Kartell on their brains anticipate that Germany would be able to land such goods at a price below their sale price in Germany. All these circumstances have actually happened, and extra safeguarding duties had to be imposed to cope with the circumvention. In this connection Professor Viner in a memorandum prepared for the economic and financial section of the League of Nations states " dumping " is likely to prevail if :—

(*a*) the exploiting industry is trustified or syndicated; or

(*b*) the industry, though not organised into a single unit for production for export is dominated by one or two large concerns, each of which controls a sufficient proportion of the total output to warrant its assumption of a disproportionate part of the burden accepting export orders at less than the prevailing domestic rates; or

(*c*) the product is not standardised as between different producers so that each producer can individualize his product or trade mark, brand, pattern, type of container or otherwise and so escape the full pressure of price competition; or

(*d*) an export bounty is granted by some agency external to the industry such as the State or another industry supplying the materials which the industry under consideration works up into a more finished product.

Professor Viner also holds that protective import duties in the exporting country facilitate dumping. According to the final report of the Committee on commercial and industrial policy after the War, 1918, the recommendations of which led to the Act of 1921, " the view is strongly held that frequent dumping of any particular class of foreign goods produces a feeling of an insecurity in the corresponding industry of this country which diminishes the incentive of development and that in certain cases dumping by foreign combinations has been the expression of a persistent policy aiming at the depression of some British industries and the prevention of the establishment of others. It is, of course, impossible in every case to prove this latter suggestion. We see no reason to doubt that there is at least a *primâ facie* ground in support of this. The value of dumping to the dumping industry is held to be in the fact that it enables it to maintain a high level of output, thus keeping works at or near full production and reducing the incidence of overhead charges ". It practically amounts to supplanting our Labour by Japanese Labour.

Mr. A. P. Gordon in his " Problems of Trust and Monopoly Control " (pages 41 to 43) states " dumping may be designed to secure monopolistic control of a foreign market, prices being subsequently raised, or to afford an emergency outlet for goods under the stress of pending unemployment. A policy of this kind is by no means peculiar to Germany where a slump in employment is immediately probable. Dumping or exporting at cheap prices may be the lesser of two evils. It is an evil none the less from the standpoint of world economy as well as that of national economy inasmuch as cheap dumping prices of the product benefits foreign consumers. It is a form of competition which forces victory to the best organized Kartell than to the most efficient producer ". The Japanese low exchange is facilitating this dumping. It is strange that we have no Act to prevent the possibility of dumping in India. Article V of the Japanese Tariff Law teaches us a good lesson. This article protects Japan's own industries against foreign aggression :—" When important industries in Japan are threatening by the

importations of unreasonably cheap articles, or by the sale of imported articles at unreasonably low prices, the Government may, under regulations provided by the Imperial ordinance, specify such articles after submitting the matter to investigation by the 'Anti-Dumping Committee' and impose upon them during a certain fixed period of time, duties not exceeding any amounts of their proper prices in addition to the duties provided in the annexed tariff". Mr. Findley Shirras had perhaps this article in view when he suggested to the last Tariff Report to equalise import tariff assessment in conformity with the production and sale-cost of Indian representative mills in the same manner as this section defends Japanese domestic industries. In my opinion, there is no other remedy that can get over this dumping tactics. In spite of and in addition to this protection which Japanese tariff law gives to its own industries, Japan on the 16th June, 1932, imposed a special Exchange Compensation Duty Act by which she imposes an extra duty of 35 per cent. on goods coming from England, etc., which have depreciated their exchanges, so that her own country may not be flooded with goods from such countries in the same way as sho floods her goods into India when her exchange is about Rs. 100 for 100 yen.

Section XXX—Sea Customs Act.—This section provides that duties in India are to be levied on the "real" value of imported goods in India. The real value must necessarily be a relatively correct value compared with the same costs of representative Indian mills or with imported goods of the same or similar kind. If such an amendment is made, the difficulties stated by Mr. Hardy in Chapter VI of his Report would be minimised, and if tariff valuations are devised under this Act as suggested by Mr. Findley Shirras in combination with the Exchange Compensation Act as the Japanese Government has imposed they will obviate all our present difficulties, and our industry may be enabled to withstand this unfair competition.

Exchange.—I think the Bombay Millowners are in error in thinking that the normal exchange is about Rs. 137 to Yens 100. In my view, comparison can only be made with the gold value of the rupee in pre-war times, and the gold value of the Japanese Yens during the same period, namely from 1893 to 1914-15. The Rupee then was 1*s*. 4*d*. gold and the Japanese Yen 2*s*. 0½*d*. This makes Rupees 150=100 Yens. That this 1*s*. 4*d*. Rupee was the natural rate of exchange for India cannot be gainsaid because then the internal trade was brisk. Importers were also doing well, and the exporters were doing the same. And above all, this rate suited the economic conditions of the country as there were no complaints of unemployment or depression during this period, and I consider that (1*s*. 4*d*.) as the normal rate of exchange. This was the opinion of the millowners as expressed in their statement to the last Tariff Board. It has been my considered opinion that India being mostly an agriculturist country, its purchasing power is at its highest when she receives more rupees as net returns for her produce exported when the exchange is 1*s*. 4*d*. So long as this exchange remained at 16*d*. to the Rupee, she had sufficient purchasing power to absorb Manchester piecegoods. When this rate began to rise above 16*d*. her capacity to absorb imported goods decreased. Even when Manchester's sale prices were 264 and 368 per cent. higher after the war with this rate of exchange, she bought more goods than she now does with 1*s*. 6*d*. exchange, which deprived her of her gross earnings by 12½ per cent. This loss is the surplus margin from which she had always made her purchases of other goods than food-stuffs. The following figures demonstrate my idea quite fully:—

Price July, 1914=100.

Year.	Average price limit.	Sterling Exchange.	Imports in million yds.
1916	125	1916-17 @ 1*s*. 4*d*. to 1*s*. 4¼*d*.	1,786
1917	264	1917-18 @ 1*s*. 4¾*d*. to 1*s*. 5*d*.	1,429½
1918	368		
1925	161	1925-26 @ 1*s*. 6*d*.	1,294

I enclose a copy of the percentage list of the prices prevailing in England of raw cotton, yarn and piecegoods for your information.

The Japanese rate of exchange throughout the same period was 2*s.* 0½*d.* which was also normal so far as her trade with India was concerned. Therefore, in my opinion, the normal rate of exchange for the trade between these two countries was healthier at Rs. 150 to 100 yens. This continued till the earthquake of 1922 when Japan had to take loans from gold currency countries, and other misfortunes made her go off gold which brought down her exchange to 1*s.* 7*d.* The rupee was also inflated in 1927 at 1*s.* 6*d.* and any comparison made with the rate of that exchange cannot be called normal.

My view, therefore, is that the present Japanese exchange is abnormal, and considerably depreciated because it was Rs. 90 on 29th and 30th June, and it had varied from 117 to about 102, and the rupee is now about equal to a yen. Therefore, when she buys cotton from us worth Rs. 150 for which she would have paid in normal times 100 yen, she now pays 150 yen. Therefore, the present exchange is 33⅓ per cent. against her in India.

When she exports her piecegoods to us for every 100 yen she used to get from us Rs. 150 but now gets only Rs. 100. Therefore, her yen has fallen by 50 per cent. so far as her export trade is concerned. Dollar-yen rate was 49⅝ cents on September 20th when India and England were both on the gold standard. Since Japan went off gold, the dollar value of her yen has been continually falling so that on June 30th her rate was 27·12 cents, a depreciation of about 54 per cent. Japan is therefore wise in protecting herself with 35 per cent. exchange compensation duty, and that appears to me to be a secret bounty or depreciation she is providing for in her export trade. It is a question for us as to whether we should not impose a duty of full 50 per cent., the amount of her depreciation in exchange instead of 35 per cent. as she must be further depreciating it in future, and we are fully entitled to an equalization exchange allowance of 50 per cent. on the value of all her imports into India, and vary it as her exchange rises above Rs. 100 for 100 yen. But the trouble is that she is selling cleverly all her goods into India at an inclusive Bombay c.i.f. rupee price to hide this indirect bounty of 50 per cent. in exchange value depreciation.

Trade Unionism.—The Indian Trade Union Act appears to have been copied from the British Act without regard to the conditions prevailing in India. We have incorporated into our Act the deficiencies of the British Act with the result that, as in Great Britain, Trade Unionism is a militant organisation. They take advantage of demanding high wages when our industry is active and cannot afford to allow our labour to go on strike. Similarly, when our industry is slack, the mill agents have no other recourse but to endeavour to reduce wages if they can without causing strikes. This is a most undesirable situation. An industry is a common enterprise for the benefit of both Labour and Capital. As previously explained, the mill agents are in reality the servants or agents of the shareholders. The shareholders have taken the risk of investing their capital in industrial concerns which give Labour its livelihood, and it is only fair that both sides should work harmoniously to the benefit of all the interests that coordinate their efforts in making the venture successful. Those enterprisers that have risked their capital deserve, as the Tariff Board has found, an industrial profit of at least 8 per cent. Considering the fact that from Government and other guilt-edged securities investors can get 6 per cent., a composite profit of 8 per cent. is by no means too large, because it gives only 2 per cent. extra for industrial risks which are necessarily inseparable from industrial ventures of any kind. Unfortunately, Trade Unionism has always been a militant organisation with some portion of it having communistic tendencies which have been the course of the welfare of Indian industries as a whole. I am speaking at the moment of Industrial concerns only, not of railways, canals, or any other public utility concerns, which must be treated quite differently from Industrial concerns in which the incentive is always of a reasonable profit. It is, therefore, essential that Government should see that the Trade Union Act is so framed that harmoni-

ous relations should prevail between Labour and Capital, and that these militant organisations should have no power through the Act to cause mischief with impunity. I have been carefully studying labour conditions and the speeches of labour leaders from 1925 onwards, and find that none of the leaders have ever said that wages depend upon selling prices and upon the economic law of supply and demand which fixes more or less the wages that they can earn. After the war wages had increased by 100 per cent. over 1913-14 standard without a corresponding increased output in production. When the industry was hard pressed by Japanese competition in 1925, these labour leaders did not do their duty of advising labour correctly or wisely. Ever since that time, there have been repeated strikes. The Tariff Board recommended certain improvements which the millowners were ready to accomplish if the labour leaders had not obstructed. The proposal of more looms per weaver was very unjustifiably opposed by the communist labour leaders and it seems to me that the future of the mill industry will continue to be gloomy unless these mischief mongers who have nothing to lose are prevented from continuing to obstruct it with all sorts of empty slogans and platitudes. In this connection, I beg to refer you to my remarks under the heading of Labour on page 154, Vol. IV. I have also enclosed for your information my article in Commerce about the "Tyranny of Trade Unionism", which sets forth fully my views.

Imperial Preference.—In my humble judgment, we Indian businessmen, Government and everybody else should view this matter dispassionately and without prejudice, bias or political sentiments. And I am against anticipating at the present moment what the Ottawa Conference is about to propose until we have those proposals fully described to us Great Britain and each of the Dominions should separately and independently make their proposals stating what they are prepared to offer in exchange for what they want from us. At best Imperial preference implies barter through the medium of money or fair exchange, which means no robbery. And, therefore, Imperial preference has the characteristics of a commodity, and it must therefore be judged on its intrinsic merits. On the other hand, it seems to me that the Indian Textile Industry which itself needs protection cannot afford to give preference. Preference and protection are antagonistic and cannot mix together so far as they relate to one and the same industry. Besides, we have already given Great Britain's textile interests a bounty of 5 per cent. in import duty and a 12½ per cent. preference in 1*s*. 6*d*. Sterling exchange. Similarly we have already given the British Steel Manufactures a degree of preference over Continental steel goods, not to speak of other goods that our public works and public utility concerns buy from her. Therefore in the case of Indian textile industries, protection and preference are contradiction in terms. If England gives 2*d*. per lb. preference to our Indian Tea we are giving her much more than a "quid pro quo" in various ways. However, the matter could be judged carefully at Ottawa. In my view, there are several other British articles in their most finished form as machinery, hardware, iron and steel manufactures, dyes, motor vehicles, railway materials, aircrafts, mill stores, etc., on which we should be prepared on careful consideration to give her preference wherever we can for an equivalent "quid pro quo", and I am sure, our mercantile associations, chambers of commerce and Legislature will give very careful consideration not only to Great Britain, but also to each of the British Dominions. There may be openings for mutually beneficial reciprocal trade, and avenues for such must be very carefully scrutinised.

In this connection Lord Inchcape's opinion expressed in the House of Lords is worth noting and consideration on its merits.

Enclosure.

Labour Unrest: The Tyranny of Trade-Unionism.

Public opinion admits the right of collective bargaining by labour with its employers. Liberty being the birthright of every person the underlying

principle of collective bargaining is to remove as far as possible the disability a worker would be put to, if his powerful and rich employer were to beat him down in wages by putting workers in unfair competition with one another. The idea is thereby to promote *fair-dealing* between capital and labour. Collective bargaining is not unsound in principle if properly exercised for the benefit of labour and of the industry as a whole, because labour can only prosper through the success of the industry and not against it. It should aim at ensuring in as large a measure as possible, equality and freedom of contract between employers and labour. It is not meant to give to labour any undue or unfair advantage over the employer, or to curtail the latter's freedom to hire, by all fair means the labour he needs, in a free and open labour market. But collective bargaining pre-supposes a desire or tendency on the part of employers to exploit the workers, and the Trade Union Act is meant to legalise collective bargaining as a *safeguard* to labour against such a probable tendency on the part of employers.

What is Trade-Unionism.—The basis of trade-unionism is a combination of workers for their benefit brought about by peaceful persuasion and not by force. A union may benefit by collective bargaining or through some other means of co-operative action, but because of such combination it cannot acquire the right to deprive employers or non-members of their liberty or to terrorise or intimidate them or inflict any wilful damage on them. The impunity given to them under the Trade Union Act does not protect them against the consequences of such violence because no law can legalise wrongful acts or torts. The fundamental basis of all laws is liberty, Justice and Equity and their aim is to encompass human welfare and progress. But trade-union leaders in Calcutta, Bombay and Jamshedpur, seem to think differently. They and their colleagues seem to have an erroneous notion that the Trade-Union Act is meant to give them alone a liberty of action which is denied to the employers and to non-members and that the Act gives them legal impunity which absolves them from the consequences of *whatever* action they may take to attain the object of their collective bargaining.

Peaceful Picketing.—In a country like India where workers are illiterate and capable of being easily misled, peaceful picketing is inconceivable. Past experience and the present Bombay strike have shown that when passions are aroused, peaceful picketing or moral persuasion has been found to be impracticable and in 99 cases out of 100 violence, stone-throwing, intimidation, terrorisation, spying and besetting have been freely indulged in, giving considerable work to the police to preserve order. Workers have been actually prevented from entering mills to earn a livelihood. This effectually condemns our notion of peaceful picketing as nothing less than trifling with human nature. In general public interest and for peace in industry it is far better to stop such peaceful picketing altogether. It is not wisdom to allow picketing and when bloodshed and rowdyism follow to attempt to cope with such disorders with an insufficient police, which cannot be at all mills at the same time and very often can only come on the scene after the wrong-doers have in most cases escaped. Then follow complications of shooting, which usually draw public sympathy towards the rowdy element. The supposed legal impunity which the Act gives to the trade-unions is tantamount to giving a sort of an indirect premium to terrorism, intimidation and rowdyism. It must be done away with and some steps should be taken to arrest the irresponsibility of mischiefmongers, in the interests of thousands of small investors who have sunk their savings in cotton mills and in Jamshedpur Steel Works, as also in the interests of the workers themselves. Besides, no civilised Government can tolerate communists and agitators holding important industries to ransom in the way they are now doing all over India. It is all very well to talk of workers' rights but that should not mean that they should be allowed to satisfy or rectify their imaginary grievances at the expense of other law-abiding citizens. Nor should it mean that till they attain their object all other citizens should suspend their civil rights or in any way suffer. so that labour may gain its object. These communist agitators, with no knowledge of the technics of

industry and without business experience want our industrial experts and our business magnates to act up to their suggestions; but the responsibility is to be borne by our industrialists and the dictation to be that of the communists, that is, "the dictation of the proletariat" which in plain English means "mob rule." It is very discreditable to Government that agitators should be able to paralyse the industrial activity of a nation, and to us for allowing Government to frame such laws and for not agitating for their repeal.

Real Labour Leaders.—Organisation and discipline are the life-blood of all-industries and we cannot allow these agitators to cooly arrogate to themselves the duty of disciplining our workers or rather misdisciplining them, whilst we are left with the privilege and responsibility of only paying them what they consider to be the proper wage, or what the proper output should be. I have respect and esteem for only one trade-union in India, which is run on more or less correct lines at Ahmedabad in the interests of labour's own betterment by Miss Ansuya Behn and Mr. Gandhi, who have always discarded communist overtures and who unostentatiously work in such a way that they have the workers' confidence and though they never work against the industry to please the workers in their weaknesses or foibles, they exact obedience from the workers whom they correctly and wisely guide. If the workers are kept from the deleterious influence of the communists who are no real friends of labour, our workmen, illiterate though they may be, know *when* they have a real grievance against their employers. In my opinion leaders of the type of those working at Ahmedabad are real patriots, because they work for the greatest good of the greatest number without considerations of self or pelf, or of rank or swank. On the other hand, the credentials of our so-called self-appointed leaders appear to consist in getting the ear of a few disgruntled and dismissed employees and in threatening us with their capacity of doing harm to the industry in which our money is invested. In my opinion it is a mistake to countenance these makers of mischief. Investors are tired of their heavy losses. We shall have to put a stop to the kind of irresponsible meddlesomeness which the agitators practice, and we may as well settle the matter once and for all. Labour has a short memory and it has learnt no lessons from previous strikes. Neither at Jamshedpur nor in Bombay the workers have any real grievance, and the time has come for investors to tell all agitators that the wage question is, after all, an economic matter which must be settled between employers and employees and if these unnecessary strikes recur we must ignore all trade-unions rather than be coerced by outside agitators, nor can we allow loyal workers to be coerced away from their freedom to work for whom they please.

Ballotting for Strikes.—The tyranny of trade-unionism that oppresses even the workers can only be curbed, if not entirely stopped, by making strikes less easy than they now are. Do not let the laws run slack. If they are capable of lax interpretation they are worse than no laws at all. What we must needs now do, if we do not want to see all public utility concerns, as well as private industries paralysed, is to curtail at once the mischievous privileges and impunities granted by a too indulgent Trade Union Act, and amend it in such a way that workers may, if they want to, indulge in strikes only after collective and mature consideration and by ballot, which would safeguard them from becoming easy victims of the hanky-panky methods adopted at communist meetings. The question for Government and for industrialists, and for the investing public, and for consumers to decide, is how to prevent willing and sensible workers from being made victims by thoughtless agitators. We should regulate industrial ballot-taking in the same way as we do in our elections to the legislative councils; there should be some kind of official supervision. It is only fair to investors and the public that those who meddle in industrial affairs and cause heavy losses thoughtlessly, because they have nothing to lose themselves must be made responsible for the consequences of their thoughtless actions. Industrial disputes courts or councils are no doubt desirable, but in creating them we have to bear in mind that they should more be in the

nature of conciliatory councils in England with recommendatory but not mandatory powers,—because no power on earth can compel recalcitrant work-people to work if they do not want to. To the industrialists it should be open to carry out or not the recommendations of the conciliatory boards as the economic exigencies of their business permit, so far as private industries are concerned, because the continuation of private industries depends upon their ability to earn a reasonable profit. Any mandate that runs counter to this fundamental economic maxim is neither justice nor equity. Industrialists should be as free as are the workers themselves to decide as to what wages their industry can afford to pay and also as to how and in what manner they should conduct their business as practical and experienced businessmen. The usefulness of such industrial courts or councils will lie in the moral effect their decisions will produce on public opinion as to which side among the disputants is wrong. The present trouble in my opinion is mostly due to the inexperience and incapacity of the agitators of the cotton mill industry to grasp the details as to what pay or wage is reasonable and what is not. Even in the present confabulation with the millowners how many of the eight Unionists know and appreciate the inner workings of a mill as to what wage or rate is really to the benefit of the workers. I do not like to attribute to them the trite saying about somebody rushing where others fear to tread, but the fact remains that all such councils or dispute boards or courts should be, as occasions demand, composed entirely of people belonging to the particular trade, having long or expert experience of same, super-imposed by a Government official or by one or two experienced businessmen to a small number made up equally of management and of experienced and practical workers who must be familiar with the handling of the subject in dispute. In this particular the Americans teach us a lesson, especially Mr. Ford, that outsiders should have absolutely no say in the internal workings of a factory. They are right and wise in having an advisory board of equal number of workers and of management to smooth away industrial difficulties, and unless the millowners of Bombay have a similar council for each mill, I am of opinion that they will never have real industrial peace.

Since our present industrial plight has shown that control of our industries, instead of being in the hands of the management is, thanks to a slack and loosely conceived Trade Union Act, usurped by agitators and communists, we need curtail rather than enlarge the privileges of the unions. The power of the unions after the revision of the Act should be confined to responsible registered unions only, and should give no scope to unregistered unions nor to individual irresponsibles. Long-sighted views are necessary in framing industrial legislation. One thing we all have to remember is that India requires many more industries, because agriculture does not pay now-a-days. Indian capital is shy, and these constant industrial troubles put investors and shareholders to heavy and avoidable losses. We must on that account be careful in industrial legislation.

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(2) *Letter, dated the 29th August, 1932, from Mr. A. H. Manek, Bombay.*

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Managing Agency System.—I was present at the public hearings in Bombay of "The Shareholders Association, of Bombay" with whose views as regards the doing away with of the Managing Agents and of substituting in their place—a Managing Director,—I do not agree, as in my view, India is not yet ripe in business capacity for the latter change, and it is probable that the remedy may be worse than the disease, and I think the complaints and deficiencies complained of by them can all or most of them be remedied by other means.

It is not certain, but probable that I may have to be out of Bombay from 6th to the 15th September both days inclusive, but if the Board at all desire to examine me orally, I shall be at the service of the Board in Bombay on other days, or evon on the dates mentioned, if I succeed in having my departure, postponed to a later period.

Mr. A. D. Addy, Calcutta.

Letter, dated the 26th July, 1932.

I am very glad to learn that the Association for the development of Swadeshi Industries has submitted a Memorial to the Government of India for the imposition of an additional duty on the import of foreign cotton piecegoods, yarn and hosiery for a period of not less than 10 years, but I strongly oppose their suggestion to increase the duty to at least 100 per cent. I admit that for the protection of cotton industry in India it is advisable that there should be a heavy duty on the import of foreign piecegoods, yarn and hosiery and that it should be continued for at least 10 years without which the cotton industry in India cannot be expected to develop but the existing rate of such duty has already been increased to 31¼ per cent. on foreign cotton goods not of British manufacture to meet the deficit in budget of the Government of India and if the said duty is further increased as suggested by the said Association it will tax heavily on the poor people of India. So far as the people of the Sunderban areas of Bengal, I may state that their condition is a pitiable one. After the expiry of the periods of lease of the Sunderban lands in the Districts of 24-Parganas, Khulna and Bakhergunge, the Government of Bengal has out of anxiety to meet the deficit in their Exchequer has increased the rates of land revenue by even 500 per cent. and has also increased the rates of rent under Section 104 of the Bengal Tenancy Act, on the plea of fairness and equity on the ground of high prices of paddy during the last 20 years, but owing to general depression of trade, commerce and industry, circumstances have materially altered. The price of paddy which is the only crop grown in the said Sundarban areas has materially come down. It is even less than the cost of cultivation thereof due to which the demand for agricultural lands has slackened and if the export of rice to foreign countries is not encouraged by the abolition of the export duty thereon as strongly recommended by the Burma Legislative Council, the Rice industry of India will continue to be seriously affected and the Sunderban areas will be converted into jungles as before. Though the prices of cotton piecegoods have come down, the cultivators cannot afford to buy them due to low prices of agricultural produce.

I admit that by further raising the duty on the imported cotton piecegoods and yarn the shareholders of Cotton Mills will be benefited, but it will be at the cost of the cultivators and labourers of Bengal. If the Managing Agents of Cotton Mills are not now able to declare good dividends to their shareholders, it is because some of them charge commission at heavy rates on sale of manufactured goods in addition to heavy allowances for their personal services. I would therefore suggest that such Managing Agents should reduce the rates of commission and be satisfied with allowances and reasonable share of the nett profits of the Companies entrusted to them.

The rates of duty on imported goods have already been increased to meet the deficit in the Budget of the Government of India and as the total actual yield of customs and excise revenue in the first quarter of the current financial year is more than the estimated yield thereof, the poor people of India may claim a reduction of the rates of duty on the import of foreign cotton goods instead of enhancement to more than 100 per cent. as suggested by the said Association.

If, however, it is decided that the rates of duty on foreign piecegoods and yarn should further be materially increased. I fail to understand as to why the goods of British manufacture should be exempted from further increment of duty. Though I am a loyal subject of our beloved Sovereign I must state that all foreign manufactures should be placed on the same footing and Indian industries should be developed provided the poor people of India do not suffer much thereby, as they are sure to do, if the rates of duty on foreign Cotton goods and yarn are further increased.

It appears that in the year 1930-31 22 crores of rupees worth of goods were exported from India to Japan and 14·5 crores of rupees worth of goods

imported from Japan to India. A substantial portion of goods exported to Japan is agricultural produce of India. If therefore the rate of duty on the import of Japanese goods is further increased, Japan may, as Ireland has done against England and Scotland, retaliate against India by imposing heavy duties on the import of agricultural produce of India and thus the cultivators of India shall have to suffer more thereby.

Mr. Chater Behari Lal Andley, Delhi.

Letter, dated the 27th July, 1932.

Referring to the Press Communiqué issued by the Indian Tariff Board I beg to submit herewith my views on the Textile Industry in India. My conclusive remarks on the subject is that in future, our clothing must be supplied in competition, *i.e.*, Free Trade.

In 1913-14 when the price of our raw cotton was Rs. 300 per candy of 784 lbs. our mills export price of Grey cloth por yard was As. 2-7 or one pie cheaper than the imported cloth.

In 1931 when the price of our raw cotton gone down to Rs. 150 our export price of Grey cloth instead of As. 1-4 per yard, due to the protection gone up to As. 4-4 a yard. The fact, that in spite of 31¼ per cent. in 1931 price of Grey Imported cloth was As. 2-8 is due to the Japanese Dumping is no ground for protection.

In 1931, we imported 74 crore yards cloth for Rs. 14 crores or say five yards for a rupee; while, for the much inferior quality of Indian made cloth, owing to the protective duty we had to pay an average rate of As. 5-7 or less than three yards for a rupee for 260 crore yards of cloth.

Since India is a poor country, her people cannot afford to spend so much money on their clothing and the best thing for India's interest is to get the clothing in competition.

Enclosure No. 1.

From Chater Behari Lal Andley.

Delhi, 18th July, 1932.

Dear Mr. Drake,

I believe my letter of 16th July, to the Hon'ble Sir C. P. Ramaswami Aiyar must have passed on to you along with others in connection with further protection to the Textile Industry.

Please realize that although our population has increased from 31 in 1914 to 35 crores in 1931, our net area sown is the same—with prices, of most of the commodities in 1931 much lower than in 1914.

I may explain in this way, our cotton cultivators in 1914 exported out of India 530,000 tons of raw cotton at Rs. 300 per candy of 784 lbs. and in return received cotton clothing 320 crore yards at an average rate of As. 3 per yard.

In 1931, although they again exported over 570,000 tons valued at Rs. 200 per candy but owing to prohibitive duty of 31¼ per cent. on imported cloth, received only 74 crore yards of cloth at an average rate of As. 3-11 and just to meet their irreducible minimum requirement, they had to buy 257 crore yards of cloth from Indian mills at an average rate of As. 5-7 per yard. Thus, the poor producers, received much smaller the amount on their produce, which they sold in and outside India, and paid Rs. 7 to 8 crores in custom revenues to the Government and a sum of Rs. 28 crores, more than the imported price, to the mills in India in high prices.

I feel, the Government of India will soon redress our grievances by abolishing the whole of custom revenue on clothing in future.

My countrymen are extremely joyful, due to the blind faith in Mr. Gandhi, that the present impetus to the Lancashire industry is the direct

effect of Indian boycott and that unless Britishers would come to our knees, it is impossible for Lancashire to revive its trade. They do not realize that Britishers care a damn for Lancashire industry or that Lancashire care a bit for Indian business.

The highest achievement of the Britishers of the day, is, in my opinion due greatly to the restrictive production of cloth by Lancashire and Indian mills. This restrictive policy, not only saved the industry but the consumers at large for ever.

I may explain in this way. Lancashire industry just after the War was in the same trouble, as in the changes produced by the blockade of the American ports in 1860—63.

In 1860 United Kingdom imported cotton 12,419,096 cwts. valued £35,756,889; paid £11,500,000 wages to its operatives and exported manufactured goods worth £51,960,000. While, therefore, they made £4,703,111 *ex*-domestic consumption. In 1863, United Kingdom imported only 5,973,422 cwts. raw cotton valued £56,277,953 also paid the same amount of wages as in 1860, therefore, the total cost was £67,777,953 but in return get only £47 million for its exports. This increased cost of raw material gave a terrible blow to this industry.

Lancashire experiences the same trouble in 1918-19, before the Indian boycott, when price of Indian and American cotton gone up three times and export of cloth fell from 320 in 1914 to 112 crore yards in 1918-19.

Great Britain who was fully alive of this fact, at once put a stop on American cotton with the result that last year United States of America was prepared to destroy over 7 million bales of cotton rather than to sell them at ruinous prices. The price of cotton (American Middling) is now 5·70 cents per lb.

Enclosure No. 2.

Delhi, 16th July, 1932.

The Hon'ble Sir C. P. Ramaswami Aiyar,
Member, Commerce Department,
Simla.

Sir,

Referring to a Deputation of commercial and industrial representatives that waited on you and the Hon'ble Sir Alan Parsons, Finance Member, on the 11th July last—to make a representation on the situation supposed to be created by the depreciation in the Japanese Yen I beg to observe that some of the biggest fools in this world are my countrymen, who are leading the masses in a wrong direction and unfortunately, the Government of India instead of finding means for the betterment of the people losing its efficiency by supporting such class of people.

Our present trouble is, that the whole produce of the land and the industry of its people is divided into two most unequal proportions, the larger share is going to a small class, while the handful of rice to the cultivators.

This situation is not created within a couple of years or decades but within a couple of centuries.

Fifty years ago Mr. W. W. Hunter, who was specially deputed by the Parliament to enquire into the economic life of the people in India, pointed out by giving Famine Commissioners' figures:—

"That 176 out of 191 millions people cultivate 188 millions of acres grow £331 million sterlings worth of produce, and now pay 18¾ millions of land revenue. While, therefore, they raise over £1-15 worth of produce per acre, they pay to the Government under 2*s*. of land tax per acre."

Mr. Hunter, in his report to his countrymen said " If we are to govern the Indian people efficiently and cheaply, we must govern them by means of themselves, and pay for the administration at the market rates for native labour. In a country where the people are poor, the Government ought to be poor; for it must be either poor or oppressive ".

Now since the last two decades more than 80 per cent. out of 352 millions people cultivate about 225 million acres—grow £400 millions worth of produce and pay roughly about Rs. 15 more than a £ per head of population to the Government (including Railways, Central and Provincial).

May I know if it is desirable for the Government of India to kill a Goose who laid a golden egg?

We are told that the present situation is the result of Jewish Propaganda for a peaceful conquest of the whole universe by means of Gold.

We are further told that if Lord Reading had not betrayed England to America in 1917 by arranging loans which were specifically made repayable in Gold and which were to bear interest at not less than the highest rate on any United State's War Loan—we would not experience all such trouble.

We are also told that if Mr. Montagu would not make the " Pronouncement of the 20th August " we would not be a victim of men like Mr. Gandhi, the destroyer of order of things, and Mr. now (Sir P. C. Mitter), a staunch advocate of costly administration, in India.

It is true that the boycott of foreign goods and growing demand of excessive protection to various industries in India chiefly owned by foreigners has reduced the purchasing power of the masses in one direction and maintained the higher standard of living of the costly administration on the other hand, which drained out the hoarded wealth of India to the International financiers, who produce nothing but exploiting the labour of poor producers.

Beginning without protection.—Before the Mutiny custom duty on imported cloth was 3½ per cent. when the first mill was built in Bombay. In 1864 the rate was 5 per cent; eleven years later reductions were made and in 1882 the whole of the import duties were abolished and the import of goods into India was free until 1894.

Thriving against Odds.—In 1878, twenty-five years after the birth of the industry, there were 58 cotton mills in India. The industry was then in its infancy, and when compared with the cotton industry of England its proportion seem insignificant—but the Indian industry as it was by comparison with the well developed proportions of the English industry, had thriven well on the whole and was full of promise for the future. The favour with which the Bombay goods were regarded in the Calcutta market had been commented on in various papers, particularly in the circular of a Mercantile firm at Karachi, dated in February, 1878, shewing that in Sind as well as in Bombay and Bengal local manufactures are ousting imported goods of the same kind.

In those days an Indian mill cost more to set up than a mill in Lancashire, the comparison as regards essential points were as follows:—

(1) Erection including the spindles and fittings up was about 3 times as great in India as in England;

(2) Interest Charges on Capital (1st cost) 5 per cent., while in Indian Mills 9 per cent.

(3) Interest on Working Capital 4 per cent.; in Indian mills 7½ per cent.;

(4) Wear and Tear English mills may be set down at 20 per cent.; in the Indian mills it was at least double;

(5) Fuel and stores, which were all imported were much more costly in Bombay than in the English mills.

Normal Time.—In normal times between 1896-1914 when consumer received the goods in competition, Indian mills showed the following result:—

	No. of mills.	Authorized Capital.	Production of yarns in lbs.	Piece-goods in yds.	Imported piece-goods in yards.
		Crores.	Crores.	Crores.	Crores.
1899-1900	—	13½	57	42	220
1899-1904	195	16½	64	68	203
1906-14	257	22	—	122	320
1916-25	333	45	71	200	182

In the above statement during the period 1899-1914 when custom duty on imported cloth, and Excise duty on Indian mill made cloth was 3½ per cent. Indian mills without any trouble continued to increase their production from 42 crore yards in 1899 to 122 crores yards an increase of 300 per cent. at the end of 1913 with a capital of between Rs. 13½ and 22 crores.

Revenue Duty.—During 1916-1925, when the country was at war with the Government and enjoying the Great War boom, Indian mills in spite of the so-called boycott movement on the one and of an advantage of 7½ per cent. custom duty on the other could not improve the output to even 200 per cent., although the Authorised Capital has been raised to more than double say from Rs. 22 crores to over 45 crores.

Similar Deputation.—Early in 1925, although the price of Grey cloth was cheaper than the imported, a similar deputation under discussion waited on the Hon'ble Mr. D. T. Chadwick, Secretary to the Government of India, Commerce Department to give relief to the Indian Textile industry by the imposition of a higher import duty on yarn and cloth below 30 counts, on the allegation that the Japanese competition has much aggravated the present depression in the cotton trade in Bombay and which competition would be checked by the above proposed duties.

Controversy.—Controversy arose against any further protection being given to an industry whose prices are still lower than the imported goods and that upto 1923, sixty out of ninety mills in India issued dividends amounting on the average to 31·87 per cent. on the paid-up Capital.

In reply to my letter, dated the 25th May, 1925, "Manchester Guardian" in its issue dated the 17th June in a lengthy criticism observed:—

"If the Japanese are large suppliers of cotton goods, they are also large buyers of India's products, and the goods they sell are at any rate cheap."

Further the Taxation Enquiry Committee which had not yet concluded its Report, on page 150 observes:—

"So far, however, as figures are at present available, they seem to indicate that the competition of Japan is chiefly with Lancashire and that in the case of goods produced in the Indian mills, there has so far been no large invasion of the market."

In 1913-14 when the Index number of raw cotton was 100 price of imported grey cloth per yard was As. 2-8, while that of export price of Indian made cloth was As. 2-7. In 1925 when the Index for raw cotton was 205, imported cloth price was As. 4-11 while that of Indian made export price As. 4-5 or six pies cheaper. With all such facts and figures, the Government of India in 1926 removed the excise duty of 3½ per cent. and raised the tariff from 7½ per cent. to 11 per cent. on imported goods, thus giving a protection of 14½ per cent., over and above double the Commission and freight charges which Japan contribute in handling her trade.

In 1930, evil effect of excessive protest, against strenuous agitation on the part of the nationalists in the Assembly, Government of India, raised the tariff from 11 to 15 and finally in September, 1931, to 31¾ per cent. The consequent effect of this prohibitive duty was that Japan who used to get large quantity of cotton from India began to buy American cotton

which was comparatively cheaper than the Indian cotton (when 100 yen equal to 200 Rs.) now began to flow the Indian market by As. 1-6 cheaper than the Indian mill made cloth.

Thus due to this folly on the part of the Government of India Indian producers of cotton lost Rs. 23 crores in the fall of cotton export, *viz.*, 727,000 tons (Rs. 55 crores) in 1930 to 570,000 tons (Rs. 32 crores) in 1931 on the one hand and considerable increase in the cost of clothing to the poor classes on the other hand.

With these views I strongly condemn Government of India's judgment in the past and earnestly expect that instead of giving any consideration for the increase in the Tariff—the Government of India will soon remove the excessive tariff from the statute and thereby remove the unwanted burden from the poor people.

Mr. Ramsingh Dongarsingh, Bombay.

Letter, dated the 28th July, 1932.

Please find enclosed herewith six copies of my replies to the Cotton Textile Enquiry questionnaire which you were good enough to send me.

There has been a littlo delay in the despatch of the replies, which I trust the Board will kindly overlook.

If on perusing my replies, the Board consider that my oral examination will lead to further elucidation of any of the subjects touched in the replies, I shall be too willing to offer myself for such examination on any convenient date, the Board may propose.

Enclosure.

1. (i) This does not seem to be correct at least to-day. Bleach houses have increased since Mr. Hardy's report. Besides large quantities of goods are sent to Dhobis for washing, as that is found cheaper.

(ii) Calcutta is no doubt a good market for Grey dhutis but as far as the other grey sorts it is not the principal market.

(iii) The conclusion arrived at by Mr. Hardy was correct for the time. But there has since been a decrease in the supply of coloured goods to the Calcutta market due to foreign competition.

(iv) At present 75 per cent. of dhuties for Calcutta are woven in counts of 30s and 40s. Shirtings are also made from counts above 30s. Mr. Hardy's figures may have been correct when he wrote his report.

(v) In my opinion the statement that the United Kingdom trade and Indian production in dhuties over-lap to a small extent and that in the region of medium counts is not correct. The dhuti trade of United Kingdom comes in competition to a much greater extent.

(vi) Mr. Hardy's conclusions are correct.

(vii) Conclusions correct.

(viii) This has come to be correct since the imposition of import duties in 1930.

(ix) Since the Protection Act it is on the increase.

(x) This was correct before 1930 but since then Japan has captured certain lines and Indian mills also are trying to manufacture these goods from African cottons.

(xi) In my opinion Japan has ousted other nations and she rules in these sorts at present so much so that Indian mills are hard hit on account of that. Fancy prints and Chints from United Kingdom do displace certain Indian sorts, slightly different in quality and design.

(xii) Japan has been sending more dyed goods since after Mr. Hardy's report.

(xiii) It is too true.

(xiv) Mr. Hardy's statement in this respect was correct till about 1930 but since then competition is being severely felt and we are solely losing our trade in this line in Persia, South Africa and other Red Sea Coast ports.

(xv) I do not agree. The United Kingdom exports to India twills, plain cloths dyed in fast red and various fancy shades and Khakis which all come in direct competition with Indian goods.

(xvi) Apart from fluctuation in cotton prices, there are other factories working in Japan, *viz.*, exchange and currency policy Freight advantages, exemption from domestic taxes, etc., which are responsible for fluctuations against the interests of India.

(xviii) This is so.

(xix) Yes.

(xx) Since 1930 most of the Indian mills have given up the use of artificial silk. United Kingdom and continent are interested more in the export of yarn into India while Japan is interested more in cloth.

(xxi) Artificial silk cloth is in a way a competitor of real silk fabrics but it has become a greater competitor of cotton fabrics on account of its very low price coupled with its tempting brilliancy.

3. The prices have not increased since the imposition of import duties because of internal competition which is as severe as foreign competition.

4. The prices given by the Millowners' Associations may not be exact to a decimal figure but they give correct general indications. They in a way indicate averages since cloths of different mills always vary to some extent in makes.

5. There are in all 4 important centres, Bombay, Ahmedabad, Sholapur and Indore. When there is perceptible increase or decrease at one centre it affects the other centres also.

6. If import duties are removed the conditions prevailing just before the levy of duties will recur and many mills shall have to be closed down. The deficiency may to a small extent be made up by Indian mills but it will mainly be made up by foreign competition because of the overwhelming advantages they enjoy.

7. (i) I have information regarding Railway freight on cotton between the following Stations:—

Adoni—Bombay Re. 1-3-7 per maund.

Akola—Bombay Re. 1-14-9 per maund.

Broach—Bombay Re. 0-11-5 per maund.

Dhulia—Bombay Re. 1-2-7 per maund.

Dharwar—Bombay Re. 1-2-7 per maund.

Nanded—Bombay Re. 1-13-5 per maund.

(ii) I can give railway freight on cotton piecegoods only between Bombay and the following Upper India Stations:—

Bombay—Cawnpore Rs. 2-4-2.

Bombay—Allahabad Rs. 2-0-4.

Bombay—Delhi Rs. 2-10-3.

Bombay—Amritsar Rs. 3-8-2.

Bombay—Peshawar Rs. 3-12-9.

(iii) Bombay—Howrah Rs. 1-9-9.

Calcutta Rs. 2-11-5 *viâ* E. I. R.

Bombay—Shalimar Re. 1-8-0.

(iv) Bombay—Karachi Re. 0-7-0.

Bombay—Calcutta Re. 0-12-0.

Per ton. Rs. 7-8-0.

8. To put it bluntly the question of the present day for the Indian industry is to recapture her own lost domestic markets and retain them. Unless that is done it is no good running to capture foreign export fields which are already ruled by others.

9. (i) The handloom industry has been known to be the most important industry of India next to agriculture. It has survived the attacks of various factors of destruction. There are to-day 20,000,000 handlooms in India. It is estimated that about 60,000,000 men are engaged in the handloom industry. The maximum present production of handlooms is roughly over 1,500 million yards per year.

(ii) The principal cloth woven is saries with borders, coarse khadar, a small quantity of the fine cloth, silk and woolen fabrics and cloth in which gold thread is used, are woven in very elaborate design. All these classes of cloth except khadar are outside mill competition.

(v) All coarse cloth is woven in hand spun or Indian mill spun yarn. The mercerised yarns are partly Indian mill made and partly foreign: in the fine counts much of the yarn is foreign though many of the Indian mills have begun to supply this yarn also.

(vi) Protective duties on piecegoods will, if at all affect the handloom industry benificially. As for protective duties on yarn it won't affect the handloom industry inasmuch as the product of that industry is almost the whole of it outside the pale of competition.

(vii) The artificial silk yarn and piecegoods prices are so low that the present protective duties do not have any appreciable effect on their imports. If the imports are to be stopped much higher duties even more than 100 per cent. shall have to be levied or the imports prohibited entirely.

10. (i) The output of handsome yarn in the year:—

	Lbs. yarn.	Yds. cloth.
Andhra	177,488	585,893
Bihar	176,114	542,367
Bengal	299,496	843,534
Delhi	133,825	298,296
Gujrat	16,010	52,253
Karnatic	44,871	147,492
Maharashtra	35,572	98,499
Punjab	141,988	320,824
Rajasthan	207,893	609,710
Tamilnadu	680,797	2,254,209
U. P.	160,602	438,327
Utkal	29,109	70,415
	2,102,765	6,261,810

These are figures for 1930 and the output has increased by 75 per cent. since, so that the total output of hand spun yarn is estimated to have reached lbs. 3,575,000 and of cloth to about 11,000,000. The above estimates are based on information gathered from the All-India Spinners Association.

(ii) The cotton used for the manufacture of this yarn is produced in the provinces stated above. The Khadar Association of each province supplies the cotton to the Spinners. The Associations store local cotton for the purpose.

(iii) The prices of hand spun yarn of average 20s count is said to be about As. 11 per lb. The price of similar mill yarn is annas seven per lb.

(iv) The cost per lb. of the above yarn is about annas ten.

(Present price of cotton As. 4, ginning and reeling As. 2, Spinning As. 4 per lb. Total cost per yarn As. 10).

(v) Hand spun yarn is used only by handlooms.

(vi) Protective duties on foreign cotton would not affect the hand spinning industry at all because those duties do not help to raise perceptibly the price of Indian cotton which is the only cotton it uses. Duty on foreign yarn and piecegoods would help it to some extent if at all, in as much as cloth made of imported yarn as well as imported piecegoods would become slightly dearer and would thus help to support the higher prices of Hand spuns. It is however the Swadeshi movement which supports the industry.

(vii) There is in fact no connection of hand spun yarn with artificial silk yarn. Duties on the latter can neither affect hand spun yarn one way nor the other.

11. Yes, most so in the case of lower counts which are mostly manufactured in Indian cottons. Even in counts of 30s the mixings contain a quantity of Indian cotton. Besides Indian mills are customers at the door and the biggest consumers.

(*a*) The small quantities of long staple cotton grown in India are most of them consumed by Indian mills only.

In both cases therefore the Indian cultivator is sure to be hit by a decrease in the production of Indian mills, which means diminished demand for Indian cotton.

There is no doubt Japan is the next best purchaser to India of Indian cotton but if the output of Indian mills is reduced and proportionate quantities of cotton accumulate in the market, Japan, being the only large purchaser, will dictate its own prices. Thus the cultivator's interest will be adversely affected.

12. At present cotton is imported into India from Egypt, South Africa and America. In the Indian varieties there is now none to equal Egyptian or South African cotton. Certain Indian varieties such as Surat, Cambodia and Kumtas equal certain graded American varieties but their supply is very limited. Any import duties therefore, on foreign cotton do not help the cultivator; it only taxes the manufacturer. If it is found that low graded foreign cotton is imported an import duty should be levied on that quality alone as such levy will really benefit the Indian cultivator.

26. As Indian mills are spinning all counts up to 80s all cotton yarns required by hosiery factories can be supplied by Indian mills. I am not in possession of actual figures.

27. Thirty thousand spindles and 1,000 looms for an average count of 20s will constitute an economical unit for Indian cottons. Annual output of cloth from such a unit will be about 4,200,000 lbs.

28. My approximate estimate for an economic unit of a mill of the above size will be Rs. 42,00,000 at the rate of Rs. 65 per spindle and Rs. 1,200 per loom. This estimate includes lands buildings power plant, gearing, all preparatory and finishing machinery required.

29. The rates of depreciation allowed by the income-tax authorities on single shift working mills are 2½ per cent. on building and 5 per cent. on machinery. For double shift working the rates may reasonably be higher in proportion to length of time worked over 10 hours.

31. Not only there are no facilities as such for borrowing working capital but the maneuvering of currencies and the launching of loans at high interest by the Indian Government from time to time has made money scarce in the market and thus made it extremely difficult for any industry to get money as working capital. The general rate of interest is one per cent. above bank rate.

35A. Reduction in cost of manufacture can mainly be achieved by increasing efficiency. This latter can be effected by introduction of up-to-date machinery, by use of standard qualities of raw material, by improving the hygienic condition and the humidification system in worksheds and by employ-

ment of trained supervisors. Of course prudent purchase of raw material and cheap and long term finance play an important part in reduction of costs.

(i) Before a scheme of standardisation in respect of muster rolls and wages could be introduced a standard of working conditions and efficiency must be reached by all the mills adopting a certain standard of wages or workers' number. Under present conditions this is not possible. The efficiency standards of different mills are different the reasons being the difference in the makes and the ages of the machines used in different mills. In the same way the cotton mixings for the same counts of yarn cannot therefore be uniform. Working efficiency thus differs and wages rates can not consoquently be made uniform. It is for this that labour is so shy and touchy on the point of the introduction of any scheme of standaidisation.

(ii) Steps can certainly be taken by slow degrees.

(*a*) The extension of piecework system has not been appreciably much, due to labour troubles. The increase in number of spindles allotted to each spinner is being gradually introduced.

(*b*) Not possible at present due to stern opposition and inefficiency of labour.

(*c*) The reduction in wage costs in these departments is being effected by increase of efficiency.

(*d*) The adoption of automatic looms and other improved type of machinery would no doubt lead to increased efficiency but the present financial position of the industry in general is quite unsuited to such a proposition.

(iii) There should be a few primary schools opened in the Mill area with a technical bias, they should teach the three R's as well as give instructions both practical and theoretical in spinning and weaving. Successful students from such schools should receive preference in the employment in mills. The expenses of such schools should be shared by the Municipality the Mill-owners and the Government.

(iv) The Mill industry in India has developed in such a way that each mill is constituted to manufacture a number of sorts generally consumed in the local market. Of course a few mills may have their own specialities for which they are well known but for all that, they manufacture all other sorts. Each mill possesses plant and machinery to make it as complete a unit as possible doing its spinning for its own requirements (and surplus for the market) and its weaving in various sorts and sizes. Specialisation would mean a complete reshuffling, necessitating a great change of hands in machinery, the launching of a large amount of fresh capital, and a deal of reorganization and rearrangement. This is possible if a sort of federation is effected of a number of mills, the present assets and liabilities of each mill being valued and sweening changes being effected all round. I do not believe any reshuffling of the kind will appear either to the millowners or to the shareholders. Moreover, the present is not the time to make an attempt in the direction. As far as I know every Indian mill is engrossed to-day with the one proposition "how to survive the present difficult times".

(v) Grouping and amalgamation will no doubt serve to some extent in bringing about cutting of costs and reducing overhead charges but whether it is a practical proposition to-day or for a number of years to come is a great question for reasons stated in para. iv above.

(vi) In the present system of management I do not see there is any draw-back, which increases cost or hampers efficiency.

(vii) It is desirable under all circumstances to treat depreciation as the first charge on profits. It is a sound policy. It is solely in the hands of the shareholders to make it practicable.

(viii) Writing down of capital wherever and whenever necessary is like amputating a diseased part and it generally conduces to a healthiness of the organism. It has however to be done where it is necessary. Every concern should always try to represent its true and real situation.

(ix) It would do much good to the industry if shareholders would make the sacrifice, but there has been a long no dividend period and capital is receeding from the industry and hampering development and advance. From this point of view it will not be in the interests of the industry to put a very stringent limit on dividends for a very long period.

(xi) My experience with regard to this question is "give the worker better working conditions and comfort and there will always be better relations between him and the management".

(xii) Regarding para. 58. As far as my experience goes Managing Agents are much alert in the matter of purchase of stores being properly supervised. Regarding Para. 79 the practice referred to is almost obsolete and will disappear entirely in course of time from where it exists, as the shareholders are gradually awakening to their own interest and that of the concerns which are theirs.

Regarding paragraph 83 the practice is not at all general, but all the same it is to be deplored both in the interest of the industry and the interest of the consumer. But this sort of abuse comes under the Mercantile Law and it is for consumers to make use of the law to eradicate the evil.

36. The present company Law does not exactly hamper the working of the industry. But the law as it exists is no doubt become too old and requires revision and modification. I would suggest as typical instances, the following few points of amendment.

(1) In case of joint stock companies, which have Managing Agents, the aggregate number of shares held by the partners of the Managing agents shall, at no time during the term of the Agency, fall below 25 per cent. of the total subscribed capital of the Company, which shall always remain unencumbered during the said period.

(2) The aggregate amount of dividend payable in respect of one year shall not exceed 33 per cent. of the nett profits of the company.

(3) Every joint stock company shall publish its Balance sheet and Profit and Loss Account within two months of the close of the year and shall call the Annual General Meeting of its Shareholders within three months of the close of the year.

(4) The aggregate value of the fixed assets of a joint stock company shall not exceed the total of its paid-up capital and half of its reserve fund. There can be pointed out other modifications such as the mode of Stock valuation, where the law may prove more helpful to the development of the industry of certain changes and modifications.

37. In Japan which is our chief competitor there is really no difference in working conditions prevailing in 1927 and to-day though apparently a clause has been introduced in the Factory Act to hoodwink critics. Women and children are not said to work at night, but their night begins as late as 11 P.M. and ends as early as 5 P.M. thus leaving room for two shifts working for women and children as formerly.

38. Actual payment of bounties and subsidies are difficult to prove. But there has been no change, such as I know of in conditions since the time of the Tariff Board's report in 1927.

In addition, the changes in the Indian and Japanese currency and the consequent sudden fluctuations in exchange rates have made matters so critical for India that the industry has had to approach Government for help to get out of the present plight.

39. The form of protection should be fourfold; *viz.*:—

(1) Protective duties high enough to equalize advantages enjoyed by competing countries.

(2) Reduction of transport charges both in case of raw materials and of finished products of Indian Mills.

(3) Annulment of certain taxes and import duties.

(4) and making long term capital available to the industry on easy workable terms.

41. It is not only inferior labour conditions that give an advantage to Japan and China. It is also the depreciated currency and a favourable exchange that give those countries an advantage over India. There are other, no less important advantages such as national shippings and credits from Government and Banks in the countries, which cannot be left out of consideration. All these factors must be taken into account when fixing the basis of protective duties on yarn and piecegoods. In the case of Lancashire the advantages the industry enjoys in the matter of cheap and readily available money, cheaper machinery and stores, efficient and well trained labour etc., ought to be carefully taken into account.

43. I do consider that protection is necessary against imported piecegoods made both wholly and partly of artificial silk.

(1) Considering the present prices at which artificial silk goods are sold I should think 100 per cent. duty on such goods would not be too high. But I would leave the matter to be discussed by the Board with the Millowners Association which represents the whole body of Millowners.

(2) The grounds are the competition of these goods with indegenous cotton goods such as shirtings.

(3) No. It is anomalous. Artificial silk should be treated separately.

44. I am wholly against any preference being shown to Lancashire. The first reason is that the Indian Textile industry is so badly situated that it is not in a position to make concession to any nation. Secondly, India is commercially connected with other countries in the matter of its export trade even to a larger extent than it is to the United Kingdom. It must therefore grant no favoured treatment to one nation over all others because in that case the other nations would be justified in making a grievance of it and retaliating. Thirdly, the general consumer or tax-payer does not suffer to such an extent from the levy of protection duties as to feel it a burden as many of the five varieties imported from the United Kingdom are more or less of the nature of luxury goods. As for the small quantities of goods of lower counts imported, there is no fear of the ordinary consumer being hit. There is enough local competition to keep the prices on a reasonable level. Fourthly the present times are such that countries like the United Kingdom, who always advocated a free trade policy and have been the most efficient manufacturers for more than a century have had to become the staunchest protectionists. Why then should poor India not limit all its charity to the home industry in spite of all other considerations?

45. I have replied to this in reply to a previous question. I may, however, once more lay special stress on the assistance which may very much benefit the industry to-day, is a measure for a long term and continuing credit arrangement. Such an arrangement will create confidence in the investing public, will steady and even increase the margin of profit by making other measures of protection more effective.

Messrs. M. S. Bhumgara and Son, Bombay.

Letter dated July 30th, 1932.

I have the honour to submit herein my statement (7 copies) with reference to the Tariff Board Enquiry into the Cotton Textile Industry.

Enclosure.

Statement submitted by M. S. Bhumgara before the Tariff Board Enquiry into the Cotton Textile Industry.

With reference to the questionnaire published by the Tariff Board appointed to inquire into the Cotton Textile Industry, I beg to submit my views as follows:—

1. In my opinion, as a mill manager, question No. 35 of the Tariff Board questionnaire is the most important question. To my mind, it is

perhaps the only question in the satisfactory reply of which may be found the real salvation of the Industry in Bombay, if that reply were eventually to be applied in a wise, honest and practical manner to the correction of the present wasteful methods in the internal administration of the Bombay cotton mills.

2. If this only one question No. 35 were, therefore, to be answered well and satisfactorily, and if the Tariff Board were to be placed in a position to draw its own inferences wisely, honestly and independently, then, naturally the Board should have a fair opportunity for a thoroughly detailed investigation.

3. A thoroughly detailed investigation is possible only in two ways. Either the Board should have compulsory powers, or the Millowners' Association should be ready and willing to produce before the Board men and materials necessary for the investigation. If the detailed investigation was not possible in one of the two ways I have indicated above, then, in my opinion, there was no sense in any person coming forward to give detailed evidence as the Board had desired.

4. I had some correspondence on the subject both with the Tariff Board and the Millowners' Association, Bombay (enclosures A to K herein).*

5. From this correspondence, it would appear that while, on the one hand, the Board had no compulsory powers, on the other, the Millowners' Association had no intention of securing from its members even that minimum co-operation necessary to entitle them to protection.

6. As an organised body, the Millowners' efforts to secure for the Industry a measure of protection necessary for its present existence and future growth are no doubt highly admirable, but the mere fact of a foreign country dumping its goods in India does not and cannot entitle the Bombay Millowners to run a great national industry on highly wasteful, irrational and unnational lines.

7. I feel quite sure that everyone who cares to think honestly and impartially and who is free from every kind of bias or stupidity will wish to realise the truth of the above statement which in the very best interests of the Industry itself, cannot be ignored.

8. Japanese dumping may have frightened the Bombay Millowners to-day of the dire consequences it would have on the local industry, but if one cares to study the whole of the past history of the Bombay cotton mill industry, critically and dispassionately, one will find that in the writing of that history, pen always seems to have been dipped plentifully in the mournful tears the Millowners have shed in public without the slightest possible regard to what they themselves had done or were doing in private.

9. In an impartial consideration of this important question, one cannot afford to forget that the present dumping by Japan of its cotton manufacture in India is due generally to the short-sighted policy of the Bombay Millowners who showed their readiness to accept, three years ago, an unwise principle of discriminatory tariff against Japan. When this question was being discussed at that time, I had begged the Bombay Millowners to study very carefully the very serious consequences they would have to face in future in return for their desire to penalize Japan for their own sins at home. In my article in Capital (December 12, 1929), I had then warned the Bombay Millowners and had asked them to remember that Japan would resent and retaliate the shabby, unwise and unnatural treatment the Bombay Millowners had shown their readiness to give it.

10. But the Bombay Millowners seemed to be concerned only with a momentary gain and did not care to study the future effects of their own action on the whole Industry. Mr. H. P. Mody, Chairman of the Bombay Millowners' Association, lost not a single opportunity to damn and disgrace

* Not printed.

Japan, when more honourable and more rational means of re-constructing the whole Industry at home were near at hand. In his painful anxiety to do something very clever. Mr. Mody tried to catch tho shadow, but little did he care to see that he was thus losing the substance altogether and leading the Industry on a thorny path strewn with great difficulties for the future.

11. To-day, unfortunately, the Bombay Millowners see themselves placed in a situation which is generally of their own creation. But that situation causes grave anxiety for the future of the great Indian Industry. I am a Free Trader, but I do not believe that by Free Trade is meant a free fight between a lion and a lamb. And I, as an Indian Free Trader, would not wish to see the poor Indian lamb devoured mercilessly by the mighty Japanese lion.

12. The necessity, therefore, for an immediate and a sufficiently largo measure of protection against Japanese inroads in India has certainly arisen and cannot be denied. But, such protection, I beg to submit, should not be unconditional nor for an unrestricted period. An unconditional and long-continued protection will be little in the interests of the people of this country, and less still in the genuine and permanent interests of the Industry itself which, emboldened by the success its unscrupulous propaganda against Japan had achieved in the past, has unwisely preferred for itself the path of self-destruction.

13. If the Tariff Board decided to extend a measure of protection to the local industry, as it would necessarily have to do in the present circumstances, then, that protection, to be effective, must be twofold. If the hapless and helpless Indian consumer has meekly to provide protection *from without* for a wretchedly managed industry, he has most certainly an elementary right to expect that that industry shall be sufficiently protected *from within* as well. I, therefore, beg to submit without the slightest hesitation that as the past and present internal administration in general of the Bombay cotton mill industry has been in a state of horrid mismanagement, chaos and disorder, and, as in that state, while it has been rotting from within, in the present emergency, it needs to be protected from without on certain conditions and with certain safeguards. For, in its present rotting state from within, the industry which calls itself "national," and wishes to be recognised as "national," has cared little for the interests of the people of this country, less for those of its shareholders and depositors, and least for those of its workpeople. Its first and last care, as I can see it, is to seek self-aggrandizement of those who may be at the helm of affairs and of their "nephews," who expect to thrive under a system of nepotism as wretched as it is intolerable.

14. In trying, however, to make out a case for themselves, the Bombay Millowners' Association have submitted a Representation to the Tariff Board, and they trust that "it will help the Board to form a proper picture of the position and difficulties of the Industry." It is not possible in a memorandum like this to examine critically the various statements in the said representation submitted by the Millowners' Association. Bombay. There are many which I find to be either erroneous, unfounded or far from common sense. But if the Millowners' said statements did really enable the Board "to form a proper picture" of the Industry's position in Bombay, then, the Board itself should be found guilty of accepting the unacceptable.

Dr. L. Nemenyi, Calcutta.

Letter dated the 21st August, 1932.

The perusal of the Statement of Evidence forwarded by the Bombay Shareholders' Association to your Board has induced me to venture to

submit a short note containing an analysis of the Managing Agency System in India.

After five years of intensive study of Indian industrial finance I feel that the attitude usually taken up towards the Managing Agency System is rather one-sided and that an impartial examination of facts and a careful comparison with foreign systems of industrial finance are necessary in order to deliver sound judgment on the much discussed problems of the Managing Agency System. May I mention in this connection that I have been one of the witnesses of the Central Banking Enquiry Committee and that my Statement of Evidence may be found in Volume II, Written Evidence, pages 284-334. My views regarding industrial finance and the Managing Agency System in India are described on pages 303-304. I have been orally examined by the Central Banking Enquiry Committee in Poona on the 24th and 25th September, 1930, see pages 818-865, Volume II, Oral Evidence. Page 818 will furnish you with various personal details.

At present I am a resident of Calcutta, and should your Board be interested in further details regarding the questions mentioned in the enclosed note, I should be glad to be examined orally during the forthcoming stay of your Board in Calcutta.

Enclosure.

Introduction.—The Managing Agency System in India has been the target of violent attacks for many years. This institution has been accused of doing more harm to Indian industries than good, and it is generally held that industrial undertakings should gradually emancipate themselves from their respective Managing Agencies and that they should be financed in future through commercial and industrial banks.

The task of this note is to describe the various necessary activities connected with the establishment and management of industrial undertakings and to try to elucidate the position of managing agency houses and banks connected with industries. Finally it will be discussed whether it would be advantageous to have isolated industrial units directly financed by various types of banks without being connected with Managing Agencies.

The present stage of the world economic depression, and the possibility of its worsening will be duly taken into consideration. It will be assumed, on the other hand, that for the near future the present economic structure of the world will remain unaltered, although it is most likely that certain fields of economic life will only be ablo to carry on, if local or international organisations will be successfully established in order to eliminate unsystematical production and distribution, and that state aid in certain cases will be necessary.

Systems of industrial finance.—During the last century, when manufacturing on a large scale was gradually introduced the factories usually belonged to private individuals. The functions of proprietor and manager, as a rule, were combined in one and the same person or persons and the industrial undertakings were developed from modest beginnings to large concerns in the course of a slow and organic evolution.

The present system of limited companies, where a big number of ever changing shareholders are the proprietors of the companies and the managers are their paid servants only, is a relatively recent stage in the history of industrial production. Such companies are often established from the beginning on a large scale, though not without sometimes any dangerous consequences. Speaking about the establishment and management of industrial undertakings, limited companies only will be the subject matter of this discussion and large sized industries only.

At present there are three decidedly different systems in existence for the establishment and management of industries:—

(a) The British system—let it be called—" isolated industries ".

(b) The " Continental system " where industrial undertakings are established and managed with the help of big banks of the " mixed type ", and

(c) The Indian institution of the " Managing Agency System ".

(a) *The British system.*—It is not the task of this note to go into the details of the British system. Only the main characteristics will be summed up. A most lucid and elaborate description of the British system may be found in " British Banks and the Finance of Industry," by S. Evelyn Thomas, a work which may be strongly recommended to students of industrial finance.

British industries—as is well known—were developed relatively earlier than the industries of other countries. A wide field was open at that time with very little competition and the undertakings made their way gradually and had the chance to make substantial profits. Not much outside finance was required in the earlier period. Later on, as the joint stock systm developed, it was relatively easy to secure capital, by sale of shares or debentures to the wealthy investing public which naturally looked with confidence upon the successful British industries. The issuing of shares and debenture bonds was usually done by issuing houses and company promoters, both in the case of new undertakings, as well as by transferring existing private industries into limited companies or by acquiring additional capital for already existing institutions.

The chief point, however, in the British system was that the management of industrial undertakings practically without exception remained independent. Neither the issue houses nor company promoters nor the commercial banks, which supplied short term finance, had any control over the management.

(b) *The Continental system.*—Industrial development on the continent started somewhat later than in Great Britain, and the lack of capital as well as international inter relations have made the way of evolution fairly difficult.

A very instructive description of the German system may be found in P. Barrett Whale's " Joint stock banking in Germany " and the main characteristics of the continental " mixed " banking system in general have been summed up by the writer of this Note in his Statement of Evidence submitted to the Central Banking Enquiry Committee.

The essential features of the Continental system consist in the intimate relationship of banks and industries, which comprises the *participation* of banks, or syndicates of banks, in the floating of limited companies or new issues of shares or debentures, the *actual possession* of shares of industrial undertakings held by banks and on the basis of such holdings the *direct control* of banks over the management of industries and the nomination of their directors on the board of industrial companies, etc. The supply of short term finance by these banks usually takes the form of current account credits.

(c) *The Indian managing agency system.*—In India, where banking has developed on the lines of British commercial banking, which does not specially provide for industrial finance, industrial development would never have gone even as far as its present stage, if the managing agency system had not come into being. This system has fostered Indian industries in a way very similar to the industrial activities of the Continental banks.

It is outside the scope of this Note to describe the origin of the managing agency system. The main problem is the present method of its functioning, and the future of this institution in connection with the

desired growth of Indian industries. Furthermore it will have to be investigated whether the so-often mentioned disadvantages outweigh the advantages or not.

The managing agency system in its present form may be described by stating, that in India there are firms that specialise in floating, financing and managing industrial undertakings. Their actual shareholding is just the same as that of the Continental banks. Up to now no complete monograph has been written dealing with all questions relating to the Indian managing agency system.

The following lines are an experiment in drafting some of the main problems and in throwing some light on the probable and desirable future.

Supposed disadvantages of the managing agency system.—Before entering into an analysis of the management of industries it seems to be advisable to discuss the supposed disadvantages of the managing agency system and to try to ascertain whether the disadvantages are really inherent in the system.

The disadvantages usually mentioned are the following:—

(1) The managing agencies in many cases draw large sums in the form of fees and fixed charges on production, sales, purchases, etc., thus lowering the reward of the shareholder.

(2) The managing agency sometimes passes into the hand of a firm of a standing lower than that of the original firm upon whose good reputation the shareholder has purchased his shares. In other cases prominent partners of a managing agency firm die and the management passes into the hands of mediocre men.

(3) It is alleged that managing agencies make immoral profits on the stock exchange by arranging for unreasonably high or low dividends and by buying or alternatively selling shares beforehand, etc.

(4) Cases are supposed to be known where partners of managing agencies have accepted considerable commission for instance in connection with extension schemes of their industrial undertakings and have made personal profits in connection with the purchase of raw material and the sale of manufactured goods.

In view of the above accusations it has to be pointed out, that all the above charges have been constantly made in Europe against the directors and managers of banks financing and controlling industries as well as against directors and managers of such industrial undertakings as were not connected with banks.

Human institutions, whether Government bodies or private undertakings are exactly as good and as bad as human beings are. Whatever the future political and economic development of the world may be, there will always be men in leading and responsible positions, who will take unfair advantage of the power entrusted to their hands.

After all, practically every existing large and successful industrial undertaking in India has been created, developed and managed in India by managing agents and it seems rather exaggerated to push such vices in the fore-ground, which are common to human beings in every possible leading position and to try and prove that therefore these vices are inherent in the system.

It is a fortunate fact, that there is in India an agency which inspite of a fairly undeveloped banking system and money market has succeeded in fostering industries to a certain extent. The most important factor in a sound future development is to bring the existing system into harmonious co-operation with commercial banking, which, it may be hoped, will expand and will be able to give more credit facilities to industries than up to now. Furthermore it has been recommended. that apart from a stronger parti-

cipation of commercial banks in financing industries, state-aided industrial banks or corporations should be the leading agencies of supplying credit to industrial undertakings, but it may be remembered, that such banks have not even been established as yet and that it seems therefore necessary to stress the importance of the existing managing agency system as the only sound basis upon which to build in the future. The constant attacks on this system might lead to a weakening of this institution and cause further damage to the shareholders by lowering the prestige of the managing agency firms. A further decrease of confidence might easily result in lower quotations of shares, etc.

Management of industries.—Before a forecast of the future of industrial finance can be given it appears to be necessary to examine the details of industrial management. The activities connected with the management of industries may be divided into two more or less watertight compartments. One group is strictly connected with the industrial plant, its technical and administrative organisation, with the purchase of raw material, with the actual process of manufacturing and finally with the sale of the produced, respectively manufactured goods. The other group comprises activities of a higher nature: determining the business policy of an undertaking, financial matters of using and granting credits, addition of new shares capital or the issue of debentures, judging the future trend of interest rates, foreign exchanges, foreign tariffs, production and consumption in general, labour problems, and trying to influence the legislation of the country to foster certain industrial interests. In addition participation in combines regulation of production and prices, questions of rationalisation, etc., etc.

It is not necessary to go into further details as the functions, enumerated above, may indicate clearly the contents of the second compartment. The complicated political and economic situation caused by the war, which has never settled down since and which seems to be moving again towards greater fluctuation and instability requires far more intelligence, knowledge and experience in the management of large sized industrial undertakings than in prewar days. In Europe and America not only banks but also large industries have organised recently special departments for economic intelligence service, to collect the statistical facts and all other informations so necessarily required now-a-days in making important decisions. This side of the problem, growing daily in importance, is also one of the moving factors in the tendency to manage industries in large groups under the intelligent leadership of a managing agency firm. An example might elucidate this matter more clearly. A statement on page 643 of the Report of the Central Banking Enquiry Committee (Appendix I) shows that in Calcutta 37 firms of managing agents have been in charge of 385 companies, the shares of which are quoted on the Calcutta Stock Exchange. In fact they are in charge of many more companies the shares of which are not quoted on the Stock Exchange. Considering the above two figures it may be described as very fortunate if all the 37 firms of managing agents have partners with the required qualifications to manage successfully industrial undertakings as described above, but it would be most unlikely that all the 385 important jute, tea, coal, transport, etc., companies, in case they dispensed with managing agency firms, could find the necessary number of managing directors equipped with the required qualifications.

Before proceeding further the results, of this superficial examination have to be summed up by stating that apart from the difficulties of floating new companies and financing the existing ones the complicated and highly specialised task of managing large industries would be greatly hampered if the industrial undertakings in India had to manage themselves.

Floating new companies.—Under present circumstances the floating of new companies would offer a practically unsurmountable task without the

help of well-known managing agencies. It is scarcely likely, that unknown and inexperienced new-comers could succeed in selling shares, organise a new factory and have the necessary knowledge to manage a company in face of enormous competition and all the difficulties resulting from the world economic depression.

Is it likely that such a company could easily obtain the necessary credits to carry on the business even if commercial banks would expand their industrial credit activities and the state-aided industrial banks already were established?

These various banks would have great difficulties in judging the business prospects of a newly established undertaking, apart from the far more important fact, that it is the personal standing and reputation of the management, which alone can induce the banks to grant new credits.

This point of view is also of great importance when considering the future necessity of the managing agency system.

The future of industrial finance in India.—A reasonable solution for the future seems to be the maintenance of the managing agency system combined with the commercial banks taking a stronger interest in supplying short term loans to industries and the proposed state-aided industrial corporations providing for long term finance in certain cases.

The lack of confidence, which is the most disastrous consequence of the world economic depression (as strongly emphasised by the Memorandum on the "Course and phases of the world economic depression" issued by the Finance Section of the Secretariat of the League of Nations), will make the sale of shares and debentures daily more and more difficult. Considering the pace of the world economic crisis it seems that state-aided industrial corporations will be necessary in India to attract private capital which may be thus directed into the channels of long term industrial investment.

Summing up our investigation, very little doubt is left that commercial banks and industrial corporations will grant loans with much more confidence to industries which are controlled by firms of managing agents of first class reputation, than otherwise.

Concluding, it has to be remembered that now-a-days practically all industrial undertakings are shareholders concerns, *i.e.*, the proprietors and the management are not one and the same persons. As the management of such companies unavoidably has to be entrusted to the hands of paid servants the *possible disadvantages* in connection with *human vices* are practically the same whether Managing Agencies or Managing Directors control a limited company. It seems however to be far more practicable to entrust the shareholders' money to well-known managing agencies of sound reputation and experience than to unknown new managing directors. The objection that a managing agency firm of good standing may gradually pass into the hand of unfit partners applies also to the management of every company whether industrial undertaking or bank and whether or not it is aided and directed as a state concern.

Messrs. H. M. Mehta & Co., Bombay.

Letter dated the 25th August, 1932.

During the period of evidence given by the Millowners' Association, Mr. Fazal Ibrahim Rahimtullah stated while examining Mr. Mody, Chairman of the Millowners' Association, that he had information from the Japanese Association that the total average crop of cotton in India was about 60 lacs bales a year, out of which the textile mills all over India consumed something like 22 lacs of bales and the remainder about 38 lacs bales were shipped out of the country to Japan and other Continental ports.

If that be a correct statement of the Japanese Association, then it means that not a single bale of cotton is used in India other than for textile industry.

It is a well-known fact that since Gandhi movement a tremendous amount of hand spinning is done in the villages and that the yarn produced by hand spinning and charkha spinning is used for making Khaddar Cloth for the agriculturists and other labouring classes and also for those who are great believers in Gandhi movement, such as the use of Gandhi Caps, Khaddar Dhoties, Khaddar Shirts, Khaddar Coats, etc. Besides the use of the above-mentioned in clothing I have to place before you the following facts in which Indian cotton is used in large quantities in home industry:—

(1) Lamp wicks made of loose cotton on bamboo thin sticks on cup lamps either with cocoanut or castor oil.

(2) Pure cotton wicks made by rolled cotton used by Marwadias and other Hindu commercial communities.

(3) Loose woven lamp wicks for kerosene lamps.

(4) $2\frac{1}{2}''$ Putties, woven on handlooms for soldiers, sepoys, puggies and syces use.

(5) Bandages, surgical cotton lints, packing cotton in medicine bottles, etc., etc., for medical purposes.

(6) $2\frac{1}{2}''$ and $3''$ putties for bedsteads, charpaies.

(7) Cotton beds in which cotton is tremendously used by middle classes, rich classes and in some cases amongst the poor middle classes.

(8) Naris for pyjamas and trousers used in large quantities by almost all the Mohamedan population, Parsees and Europeans.

(9) Cotton Rajais for use in the cold weather by middle classes and poor classes mostly in north of India.

(10) Cotton Rejai Clothing in which cotton is placed between two cloths and then the cloth is made for keeping away the cold in the Northern parts of India.

(11) Hand made cotton dusters, towels, rugs and satranjis made in jails as well as in private handloom factories, mostly in Amritsar.

(12) Cotton is used in large quantities in packing cases for packing silverware, ivories, sandal wood work, precious stones, etc., etc.

(13) Cotton is also used for making country ropes for drawing water from the wells, making bandings for fishing nets, for tennis courts nets, cricket nets and for many other purposes.

All these items enumerated above take up a tremendous quantity of Indian cotton and the Government estimate it to be somewhere in the neighbourhood of 10 lacs bales, but those who are well in with the Home Industry Movement, especially the Congressmen, vouch that something like 15 lacs bales of cotton are used in home industry and they maintain that it is daily increasing.

From the shipments made during the last five years of cotton to foreign ports the amount comes in the neighbourhood of 24 lacs bales instead of 39 lacs bales as the figures given to Mr. Fazal Ibrahim. Therefore, it follows without doubt, that taking the average crop of 60 lacs, 22 lacs is consumed by cotton mill industry for textile purposes, 24 lacs for shipment to foreign countries and about 15 lacs for other uses such as I have enumerated above.

I hope you will place this letter before the Chairman and trust that he will find the figures interesting.

Mr. Manilal Maganlal Shah, Ahmedabad.

Letter dated the 26th August, 1932.

We, the undersigned shareholders of the Ahmedabad Cotton Mills, beg to most respectfully submit the following for your kind consideration:—

In Ahmedabad there is a Millowners' (Mill Agents'?) Association, while there is no association or body representing the shareholders. Under the circumstances, we consider it necessary to lay before you the shareholders' point of view. We, therefore, take this opportunity to make this representation to you, encouraged by the fair consideration the petition of shareholders—as reported in the "Nav Bharat" of the 24th instant—has been given by you.

We believe the undue expenditures and the system of management in Textile Mills as it now exists, are no less responsible for the current depression in the textile trade than the keen competition of Japan. We, therefore, consider it most important that the system of management should be radically changed and a better and more efficient system introduced for the real and lasting interest of trade.

We trust that before considering the question of levying additional import duty on Japanese piecegoods, the question of the system of management may be duly considered and necessary recommendations be made to the Government to amend the Companies' Act in such a way as to eliminate all the undesirable elements now existing.

We now lay before you the disorder in the management of the textile mills for your information and consideration:—

(1) In the Memorandum of Association of almost all the local Companies, there is an article giving to Managing Agents hereditary rights of management as well as of charging commission. This evil system based on the assumption that the son of an Agent possesses the same managing ability as his father, deserves to be stopped as early as possible. The system of charging the commission on the value of sales—irrespective of the profits of a Company—is equally harmful, and the sooner it is stopped the better. The agent's remuneration may be reasonably allowed after full provision has been made for depreciation and for dividends. In short, the agent's commission must bear proportion not to sales but to the net profit of a Company.

(2) In the interest of the Trade, it is imperatively necessary that the appointment of Managing Agents should be subject to the system of election or selection for a period of from 3 to 5 years; and that they should receive regular monthly salaries according to their ability and powers of management and financing.

(3) The shareholders must have a right to inquire into all the serious interests of the mill, and to give effect to this at least five or more shareholders must have free access to and the inspection of the books of expenditure, sales and purchases, etc., of the Company along with vouchers supporting the figures.

(4) Only such persons who are not liable to be influenced by the managing agent, and who can independently work in the best interests of a Company should have a right to be appointed as directors.

(5) The surplus of working capital should not be deposited with any firm of which the managing agent is a proprietor or a partner, but should be deposited with recognised Banks. There should also be a limit to the powers of lending.

(6) The purchase of cotton, yarn, stores and coal, etc., should be by public notice and after comparing the competitive rates and samples.

(7) No orders or indents for new machinery should be placed or no extensions to building made without the sanction of the General Meeting of Shareholders.

(8) The system of sales requires to be improved; and we believe a system can be evolved wherein it is feasible to sell all the goods from a common store room on a standard basis.

(9) The appointment of all responsible officers of the Company such as a Manager, Secretary, Cashier, Salesman or Engineer, should be made by election or selection at a General Meeting of Shareholders and their remuneration must be in proportion to their ability and not their influence with the Agent.

(10) The Balance Sheets of all Companies should be out at least within three months succeeding the end of the year and the General Meeting should be held not later than 4 or 5 months.

(11) The Balance Sheets (with the Profit and Loss Accounts) must be in a uniform prescribed form to enable the investing public to make a comparative study of the positions of the respective Companies and to try to improve any mismanagement that may exist.

(12) Some of the Managing Agents have taken advantage of a convenient opportunity, and with the aid of able and experienced advocates of law got inserted such articles in the Memorandum of Association as are best calculated to be in their interest and to get deleted such as were considered to be a check on their powers. This system must go; and no revision in the articles of Association should be permitted unless at least 50 per cent. of the members of a Company give their consent in writing to the change.

(13) The subscription for membership of the Millowners' (Mill Agents') Association is being charged to the Company, while as a matter of fairness and equity this charge should be borne by the Agents personally, who enjoy the membership. It is not the constituted representative of the Company who is the member of the Association, but the self-appointed agents. If this charge is to be borne by the Company, an independent representative of the Shareholders duly elected may represent them at the association.

(14) No mortgage of the Company's property—specially buildings and machinery—should be made by the agents or directors without the previous consent of the Shareholders at a regular meeting.

(15) The Managing Agent must resign if three successive years of his administration of the Company show a clear loss.

(16) If under any circumstances, the Company's annual loss exceeds 1/3rd of the subscribed capital, the shareholders must be at liberty to consider at a General Meeting why the Company should not be dissolved.

(17) The Company's debt should under no circumstances exceed the authorised capital of the Company.

(18) The relations and friends of the Managing Agent should not be appointed to responsible posts.

(19) No office allowance should be given to Managing Agents when they get commission on net profit or a regular monthly salary.

We have, as above, honestly and conscientiously put forth the evils now existing in the management of the local Companies—the textile mills—suggesting improvements according to our light and ability, and request you to strongly recommend the Government to so amend the Companies' Act as to give effect to the changes desired in the interest of not only the shareholders and the investing public, but in the general interest of the Trade also.

Mr. M. P. Gandhi, Calcutta.

(1) *Letter dated the 26th July, 1932.*

With reference to the resolution of the Government of India, dated the 9th April, 1932, directing the Tariff Board to hold an enquiry into the question of protection to the Cotton Textile Industry, I beg to forward to you herewith my views on the import of raw cotton in India.

I would also recommend to the Board a perusal of my two books on "How to compete with Foreign Cloth" and "Indian Cotton Textile Industry" which sets out in detail my views on several problems pertaining to the Indian Cotton Textile Industry.

Enclosure.

Why the Import of Raw Cotton should not be discouraged.

Since the last year we are witnessing a very keen controversy in the country in regard to the advisability or otherwise of the import of raw cotton from foreign countries for use in the mills situated in India for the purpose of manufacture of cloth. The present Swadeshi movement is a great help to the cotton mill industry of India and but for the Swadeshi propaganda the cotton mill industry would have been in a languishing state at the present time. This being so, a certain section of the people put forward the argument that in appreciation of the several benefits that the propaganda for Swadeshi and Khaddar has brought to the mill industry, the millowners should not betray the interests of the country by importing cotton from other countries when there is enough cotton available inside the country. The reasons that are put forward against the importation of raw cotton from foreign countries are that the price of Indian cotton undergoes a considerable fall, that the demand for Indian cotton is reduced, and it is urged that the goods manufactured from such imported cotton cannot be called purely Swadeshi and should not therefore receive the patronage of the people.

On a little consideration it will be found that these arguments are not very cogent and convincing. In the first place, it ought to be remembered that a great bulk of the cotton grown in India is suitable only for coarse spinning, whereas the cotton imported from Kenya, Egypt and the United States of America is of long staple suited for spinning high counts of yarn for the manufacture of fine fabrics. The quality of the raw cotton imported from abroad being thus different from the cotton produced in the country (except perhaps in the case of American cotton which is of a little shorter staple than that imported from Egypt, etc.), it is hardly correct to say that the consumption of Indian cotton in India is reduced by such imports. I am not unaware that in reply to this it would be urged that to the extent that foreign cotton is imported the use of Indian cotton is reduced because if foreign cotton was not imported, Indian cotton would have been used in its place, even though it was of inferior quality and suitable for only coarse spinning. This, however, cannot convince anyone because the foreign cotton does not in any sense replace Indian cotton. The importation of foreign cotton being of long-stapled quality, the like of which is not produced in the country, it is not true to say that it substitutes Indian cotton; it only supplements it.

Cotton Consumption Statistic.—Let us now see the statistics of the production, consumption and export and import of cotton in India. The total Indian crop for the season 1928-29 was 57 lakhs of bales and the estimated crop for the season 1929-30 was 52 lakhs of bales. The estimated yield of cotton for the season 1930-31 is according to the supplementary official memorandum of Indian crop issued on the 23rd April, 1931, 48 lakhs of bales. Out of this the mill consumption of Indian cotton in the year 1928-29 was 17 lakhs of bales and in the year 1929-30, 22 lakhs of bales. During the year 1930-31 the mills are consuming about 2 lakhs of bales per

month. It also appears that the Indian mills will continue to take at least this quantity of raw cotton in the future, if not more, to comply with the increasing demand of cloth made inside the country. The consumption of Indian cotton on the handspinning wheels is also decidedly on the increase, and shows signs of increasing still more. The export of Indian cotton during the year 1928-29 was 37 lakhs of bales, during the year 1929-30, 40 lakhs of bales, and during the year 1930-31, 39 lakhs of bales. The export of Indian cotton during the six months ended 30th September, 1931, amounted to 14 lakhs of bales as compared with 18 lakhs of bales for a similar period during the year 1930. The import of raw cotton from outside India in 1928-29 was 162,000 bales, in 1929-30, 134,000 bales and in 1930-31 370,000 bales (approximately). The import of raw cotton during the six months ended 30th September, 1931, amounted to 311,000 bales as compared with 140,000 bales for a similar period during the year 1930, *i.e.*, roughly double the quantity. The value of imports of raw cotton during 1928-29, 1929-30 and 1930-31 amounted to Rs. 390 lakhs, Rs. 342 lakhs and Rs. 638 lakhs respectively. The value of the imports of raw cotton during the six months ended 30th September, 1931, amounted to Rs. 467 lakhs as compared with Rs. 281 lakhs for a similar period during the year 1930. The value of the exports of raw cotton from India during the years 1928-29, 1929-30 and 1930-31 amounted to Rs. 66 crores, Rs. 65 crores and Rs. 46 crores. The value of the export of Indian cotton during the six months ended 30th September, 1931, amounted to Rs. 14 crores as compared with Rs. 24 crores for a similar period during the year 1930. The reduction in the value of the exports is due to the low price of cotton consequent on the prevalent trade depression all over the world. It is a very encouraging feature that the quantity of the cotton exported from India has now undergone any appreciable fall in spite of the fact that there is a diminished consumption of cotton throughout the whole world. This is due to the fact that many manufacturers especially, in Lancashire, are adapting their spindles to the use of Indian cotton in substitution of American cotton, due largely to the cheapness of Indian cotton as compared with American cotton. Japan has similarly increased its consumption of Indian cotton, and although the mill activities in Japan and Lancashire were restricted during the past several months due to the boycott movement in India and the prevalent trade depression all the world over, the consumption of Indian cotton has been considerable in both the countries.

From the figures given above, it is easy to see that the quantity of cotton imported during the last three years varies between 3 per cent. to 6 per cent. of the total Indian crop, and amounts to only about 7 per cent. to 14 per cent. of the total consumption of Indian cotton by the Indian mills. It would therefore be hardly correct to say that the consumption of foreign cotton in India by the mills appreciably affects the price of Indian cotton which depends largely on the price of American cotton. A large part of the Indian crop of cotton is exported to foreign countries and the price which the entire cotton crop can secure is the price which the Indian cotton can realise in the world's market for its exportable surplus. The argument that the importation of foreign cotton reduces to a considerable extent the price of the Indian crop of cotton is hardly tenable, particularly because the cotton that is imported, does not directly compete with Indian cotton. While the best Indian cotton like Navsari and Cambodia can be made use of for spinning up to 30's only, much of the raw cotton imported from abroad is used for spinning counts from 40's and upwards. The price of Indian cotton as pointed out above is determined by the world factor and can hardly be said to be affected to any appreciable extent by the importation of foreign cotton in India.

The Indian National Congress has been approached recently with a request that the goods manufactured by mills from foreign raw cotton should not receive the patronage of the people as they cannot be called purely Swadeshi. This contention is so absurd that it has to be mentioned only to be rejected. There would be some point in a contention of this character, if it could be proved that imported cotton is of a quality similar to the

quality of cotton available from inside the country and is such as can substitute Indian cotton, thereby decreasing the internal demand of such cotton inside the country. That, however, is not the case.

It may then be enquired why it is necessary for India to import long-stapled foreign cotton and why the mills cannot consume all Indian cotton in preference to foreign imported cotton, even though long-stapled cotton is not available inside the country. India can have two goals before her, *viz.*, either (1) to consume Indian cotton inside the country by manufacturing cloth out of it and exporting the surplus manufactured cloth outside India, or (2) to manufacture the quality and quantity of cloth required by her from such raw cotton as is produced inside the country, and to import the balance of the desired quality of raw cotton from foreign countries. It is too well-known that we do not produce enough long-stapled cotton for meetting the requirements of the country for fine cloth. Further, it will be conceded by every one that at the present time at any rate, it is not possible for India to consume all the raw cotton produced by her and to export manufactured cotton goods to other countries, due largely to the fact that we cannot stand competition with advanced countries like Lancashire, Japan, etc.; we are, therefore left to producing the necessary cloth required by the country from cotton produced inside the country, and cotton imported from outside for special purposes. The most cogent argument against banning the import of long-stapled cotton from other countries is furnished by the necessity and the desirability of manufacturing fine fabrics in India in order to replace similar fabrics imported at present from Lancashire, Japan, Italy and other countries. The Indian cotton is of too short a staple to produce yarn of very high counts necessary for the weaving of fine and delicate fabrics. The imported long-stapled cotton is meant only for spinning high counts and it is too expensive to be used for the manufacture of coarse goods (it cannot thus in any way be said to compete with Indian short-stapled cotton). If the object of the nation in undertaking the propaganda of Swadeshi is to be fully achieved, that is, if the requirements of cloth in India are to be produced internally by the mills as well as the handlooms no ban should be imposed on the importation of long-stapled cotton from foreign countries, it should not be banned or discouraged in any way, till such time as sufficient long-stapled cotton is available inside the country, for turning out fine yarn necessary for manufacturing goods of a quality similar to that of imported ones with a view to replace them, or till such time as the taste of the people is revolutionised as a result of the propaganda for Khaddar and the necessity of producing fine yarn and fine fabrics is completely obviated. We are all aware that it is not possible to induce all the people in the country to give up the use of finer varieties of cloth all of a sudden and to accept coarse cloth woven from, say, 20's. We have not been able to induce all the people even to wear Khaddar in preference to mill-cloth, because the former is a little coarser than the latter. It is, therefore, too much to expect the whole nation to turn suddenly to the use of such garments as can be made from the short-stapled cotton that is grown inside the country. If we are to depend on this sudden change coming and, with that end in view, if we put a ban on the importation of raw cotton from abroad, this object of making India independent of foreign sources for the supply of the cloth needed by her, will be delayed or made impossible of achievement and we will thus be doing a great disservice to the country. In order to enable us to reach our goal as quickly as possible, we ought to encourage the use of imported raw long-stapled cotton so that the demands of the people who cannot give us at once the use of fine cloth, can be met by the cloth manufactured inside the country from such raw long-stapled cotton. If we ban the use of imported cotton, its effect will be that the Indian demand for finer fabrics will have to be met by imports from foreign countries. If we increase the cost of imported raw cotton by imposing a duty on it, we will be virtually increasing the cost of raw materials for spinning 40s and upwards and the effect of this will be that our mills will be handicapped in competing with foreign countries in their finer goods. Thus while not discouraging the import of long-stapled raw

cotton from foreign countries, on the one hand, we must make an endeavour, on the other hand, to produce more and more long-stapled cotton in substitution for the present short-stapled cotton inside the country. The Indian Central Cotton Committee informed the Tariff Board in the year 1927, that of the total Indian crop of 60 lakhs of bales, there would be about 20 lakhs of bales of long-stapled cotton of which 320,000 bales or 16 per cent. may be taken as suitable for warp yarn of 30/36 counts and an additional 50,000 or 3 per cent. for weft yarn of 30/36 counts (*vide* page 259 of the Tariff Board's Report). I may state, however, that these figures are not reliable according to several authorities intimately connected with the Indian Cotton Textile Industry. It is likely that the experiments in spinning may have been carried out in the Matunga Library of the Indian Central Cotton Committee under ideal conditions. But ordinarily it is not possible to manufacture such high counts of yarn from Indian cotton. Several persons connected with the Indian cotton industry are of the opinion that the quantity of Indian cotton producing above 18's would be roughly about 10 lakhs of bales. Be this as it may, there is no doubt, that India is capable of growing a larger quantity of long-stapled cotton in order to supply the requirements of the Indian mills and handlooms for such cotton. But it is doubtful whether the premium paid to the grower of long-stapled cotton would be sufficient to compensate him for the loss in out-turn, and ginning percentage which he is bound to suffer. As far as the mills are concerned, they would find it is their interest to obtain such long-stapled cotton in India at their doors rather than have to import the same. The Indian Central Cotton Committee and the Agriculture Departments of the Provincial Governments, should render all help to the cultivators in the problem of growth of long-stapled cotton in India, by providing necessary facilities, *e.g.*, seeds, irrigation, research, specific investigation, etc., and should make it worth the while for the cultivators to grow long-stapled cotton for the requirements of the Indian Cotton Industry.

Competition with Lancashire.—Until, however, we can produce inside the country an adequate supply of long-stapled raw cotton, there ought not to be any objection to importing such cotton from foreign countries, because it is the desire of the nation that we should exclude foreign cloth as quickly and as much as possible, and as observed above, this cannot be done to a great extent if we put a ban on the import of long-stapled cotton from abroad for the purpose of manufacturing cloth of a fine quality. Further, there ought not to be ordinarily any objection in purchasing raw materials from other countries of the world for the purpose of manufacturing goods from them, and thus ousting the imports of cloth manufactured from the same material by other countries. Besides, we ought not to forget that raw cotton is not a manufactured or even a semi-manufactured product like yarn, and therefore there ought to be no objection or hesitation in importing raw cotton, which is only a raw material, till such time, at any rate, as similar long-stapled cotton can be had inside the country, and till such time as the requirements of fine cloth which can only be manufactured from such cotton exist inside the country.

In this connection, it would be of interest to note that in the year 1875, it was the Government of India that imposed a 5 per cent. duty at the behest of Lancashire, on the import of Egyptian and American cotton in India, in order to prevent India from importing such superior cotton and competing with Manchester in her fine goods (*vide* Landmarks of the Policy of the British Government in India or in Great Britain, in regard to the cotton industry of India, given in author's book on "How to Compete with Foreign Cloth"). The country and the Congress ought therefore to be careful and should reject this short-sighted policy of banning the import of raw cotton or of making it dearer by imposition of a duty, as by so doing we will be only helping Manchester to retain her position in the supply of cloth and yarn to this country, because it will not be possible for India to stop completely the import of fine varieties of cloth and higher counts of yarn till cloth of a similar superior quality can be manufactured inside the country. What is more, it should not be forgotten that having

accepted the goal of making India self-sufficient in regard to cloth, and of eliminating the foreign cloth, and yarn evil, we should not at all hesitate in importing long-stapled raw cotton from foreign countries in order to crown the efforts made by the Congress under the guidance of Mahatma Gandhi, with the success which it may deserve.

It is a matter of great regret that in order to meet the deficit caused in the Budget the Government of India have imposed in their Supplementary Budget a duty of half an anna per lb. on all imports of raw cotton from foreign countries with effect from September, 1931. The import duty of half anna per lb. works out to about Rs. 24-8 per candy. This will directly handicap the Indian textile industry particularly in competition with finer Lancashire goods for the manufacture of which such long-stapled raw cotton is imported by the cotton mills in India. The Indian Fiscal Commission also definitely laid down that the raw materials of an industry should not be taxed, but the Government of India have been totally indifferent to these observations of the Fiscal Commission, although they have generally accepted that principle. The imposition of this duty has also adversely affected cotton growing in Uganda where Indians have invested crores of rupees for the growing of cotton.

India should be made self-sufficient in the manufacture of Cloth.—I hope every unbiased person will agree with me when I say that the whole nation will not be prepared to turn at once to the use of coarse cloth that can be made from Indian cotton of short staple and that it is therefore necessary to initiate them into the use of finer cloth made inside the country (even after importing long-stapled cotton from foreign countries) by making the cloth as attractive and as similar in texture, fineness, etc., as possible to the imported cloth to the use of which the people may have been accustomed for a long time and which they may find it difficult to give up all of a sudden. I also trust that the short-sighted policy of banning the import of raw cotton or of increasing its cost by imposing a duty on it, will not be advocated from any reasonable quarter after consideration of all the various factors enumerated above, and I cherish the hope that such a policy will in no case be accepted by the Congress, especially because it is fraught with the danger of retarding the goal of self-sufficiency in the matter of supply of cloth from internal sources.

Mahatma Gandhi's Views.—In the end, I might state for the information of the reader that I have had an opportunity of consulting Mahatma Gandhi on this subject on two occasions only recently. He said that he personally believed that India can take the necessary raw cotton from other countries. While Mahatma Gandhi would desire the whole country to be clad in coarse hand spun and hand woven khaddar, he has taken this businesslike view of not banning the import of raw cotton in appreciation of the various circumstances enumerated above, *e.g.*, (1) that cotton is only a raw material, and that there should be nothing wrong in importing raw material for the purpose of manufacturing cloth from it, particularly when it does not compete directly with Indian cotton which is of a shorter staple, (2) that it will not be possible for the whole nation to take to khaddar, or for the matter of that to even coarse mill made cloth all of a sudden, and (3) that if encouragement is not given for the manufacture of fine cloth from superior quality of cotton, and if the mills are thus handicapped in competing with foreign countries, it will virtually mean the postponement of the day when foreign cloth can be completely excluded from the country. A note may also be taken of the fact that of the import of raw cotton from foreign countries, nearly half the quantity is from Kenya Colony where the interest of Indians in growing cotton is predominant.

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(2) *Letter dated the 12th September, 1932, from M. P. Gandhi.*

I beg to forward to you herewith six copies of a short memorandum on the future of hand spinning and hand weaving in India. I shall feel obliged if you will kindly place these before the members of the Board.

Enclosure.

The Future of Hand Spinning and Hand Weaving in India, by M. P. Gandhi, M.A. (Benares Hindu University).

There is no doubt, to my mind, that both hand spinning and hand weaving have a bright future before them in India, as long as the economic condition of the country remains as it is to-day. Some doubt is being expressed, however, by critics of the Khaddar movement in India that Khaddar is not an economically sound proposition. Some believe that hand spinning is a passing phase and that it cannot last after the sentimental feeling of the people of the country for Khaddar passes away. It is pointed out that *Charkha* cannot spin yarn more economically than the mills, and that therefore such a primitive and crude method of spinning yarn cannot last in competition with modern and up-to-date machine spinning.

No Comparison between a Charkha and a spinning mill.—These critics, however, fail to understand that it has never been claimed by the protagonists of the *Charkha* that it can spin yarn more economically than the mills. The *Charkha* has never been intended to compete with, and in order to displace, the mill industry. There need therefore be no comparison between the output of a *Charkha* and the output of a machine spindle. For understanding clearly what the *Charkha* movement means, it must be borne in mind that there is an enforced idleness of a large section of the population in India (depending for their living on the fields), for a period of nearly six months in a year owing to lack of a suitable supplementary occupation to agriculture. The other factor of great moment is the chronic and the gnawing poverty of the masses which has resulted from the lack of employment during the best part of a year. Knowing as we do, now, the almost incredible poverty of the Indian masses who are, it must be admitted, illiterate and unskilled owing to want of any education, the only means of ameliorating their condition is by giving them some sort of an occupation near about their homes, which they can adopt peacefully and without difficulty.

Best Occupation.—Hand spinning is an occupation which answers this purpose best. It is claimed that hand spinning alone offers an immediate practicable and permanent solution of that knotty problem, *viz.*, of the enforced idleness of an overwhelming majority of India's population for over six months in a year. It is not intended that those people who can make a better living from elsewhere should spend their time on hand spinning. It provides *a supplementary occupation for those who cannot do anything better.* It has numerous social and economic advantages, which are well-known. It is a great consolation to find that believers in machine-age are slowly becoming converts to the Khaddar theory after seeing for themselves the advantages that have resulted to the people by the Khaddar movement.

Two Notable Opinions.—Only recently in his opening speech at the All-India Swadeshi Exhibition in Madras, Sir M. Vishweshwarayya made the following significant confession as regards the capabilities of the hand spun and hand woven *Khadi*:—

> "I am one of those who not long ago thought that hand spinning and hand weaving of Khaddar, while machinery could do the work so cheap, might prove a waste of effort, and that the energy and time spent on it might be more profitably employed; but in the present circumstances of the country, when there is such redundant unemployed population, and there is no organisation at all to relieve unemployment, every sane person must admit that Khaddar propaganda is serving useful constructive purpose, and that the efforts of the Congress Party in popularizing khaddar under the all-inclusive generalship of our great countryman, Mahatma Gandhi, are fully justified."

Even Dr. Harold Mann opined that "whatever may be said of Mahatma Gandhi's plan and policies in other directions, *he had undoubtedly penetrated into the secret of the poverty of India when he advocated the spinning*

wheel, even though it added only one or two annas per day to the income of the people".

A Wrong Notion—Spinning not a principal occupation.—I need hardly emphasize that it is a wrong notion to believe that spinning has ever been put forward as a principal occupation. Spinning has been offered only to those who would otherwise waste their time in idleness and thus cause a national waste of energy. Spinning is not meant for any person who has a more remunerative employment. No nation which has its population lying idle for a period of six months in a year can ever be prosperous. The only way therefore of bringing about the prosperity of the people of India is to find employment for the large section of the people who are at present unemployed, and under employed. Only thus will the labour of the millions of the people of this country be monetized, and only thus shall we be able to add to the purchasing power of the people, which it is the endeavour of everyone having the welfare of the country at heart to promote.

Handloom v. Powerlooms.—Hand spinning presupposes the existence of hand weaving, and hand spinning and hand weaving are mutually complimentary. It is not necessary for me to prove that handlooms can compete successfully with the powerlooms. The very fact that hand made goods are unsurpassed in excellence by the products of modern machinery, in an age in which mechanical inventions are the prime factors of economic progress, proves that there are some merits in handloom weaving which have kept it going. Apart from all questions of design, quality and variety, there is admittedly something in the very "feel" of handwoven cloth which has made an appeal to the public in all countries. The Indian handloom industry has always demonstrated this superiority over powerlooms and the only reason why popular recognition has been slow and difficult is the poverty of the average Indian which compels him to make the smallness of initial cost the paramount consideration of his purchases.

Sir Alfred Chatterton has appropriately pointed out: "That the Indian handloom weaver though hard-pressed still survives the competition of the powerloom indicates a surprising degree of tenacity on the part of the people of the country (India) to maintain their primitive methods and hereditary occupations in the face of militant western commercialism".

Eye-opening figures of Handloom Production.—It is not generally known that even at the present time the handlooms are responsible for supplying about *38 per cent. of the total cloth produced in India,* and about *25 per cent. of the total* annual consumption of cloth in this country. Appended below are figures for the last 7 years of the total cloth consumption in India, of the total handloom production, of the percentage of total handloom production to total cloth consumption, of the total production of cloth in India (both mills and handlooms), and of the percentage of handloom production to total cloth production in India (on handlooms and mills).

Year.	Total cloth consumption.	Total handloom production.	Percentage of Col. 3 to Col. 2.	Total production in India of mills and handlooms.	Percentage of Col. 3 to Col. 5.
1	2	3	4	5	6
1924-25 .	4,706	1,256	26·6	3,226	38·9
1925-26 .	4,479	1,160	25·8	3,114	37·2
1926-27 .	5,115	1,296	25·3	3,554	36·4
1927-28 .	5,420	1,292	23·8	3,648	35·4
1928-29 .	4,772	1,116	23·4	3,009	37·0
1929-30 .	5,582	1,404	25·1	3,822	36·7
1930-31 .	4,725	1,388	29·3	3,949	35·1

N.B.—In this connection, I have to point out that the figures of the total production and consumption of cloth in India gives in the "Review of the Trade of India, 1930-31", are likely to mislead the unwary public.

No account is taken there of handloom production at all. It has been ignored, and it gives no indication of the existence of handlooms which are responsible for supplying roughly 1,400 million yards of cloth per year. The figures published in the Review of Trade do not give a correct idea of the total production of cloth, and of our total and *per capita* consumption of cloth.

I must observe here, however, that the quantity of cloth produced since 1929-30 and 1930-31 by the handlooms must be appreciably greater than what is shown in the above statement because there is no doubt that the quantity of handspun yarn available to the handlooms must have increased due to the impetus the movement of handspinning has received during the last 2/3 years. In the above figures it has been assumed that (in the absence of any authoritative statistics) 10 per cent. of the total quantity of yarn available to the handlooms from the foreign countries and from the Indian mills, is handspun yarn, spun on the "Charkha".

Quantity of hand spun yarn increasing.—On the basis of 10 per cent. estimate, the quantity of hand spun yarn available to the handlooms has been roughly 35 million lbs. This figure is arrived at by assuming 4 yards of cloth per 1 lb. of yarn. It would, however, be more correct if we assume that the total supply of hand spun yarn available to the handloom since 1929 was 50 million lbs. I would therefore suggest that if any reliable estimate is to be made about the total quantity of handlooms production, for the years after 1929-30 an assumption must be made of 50 million lbs. of hand spun yarn instead of 35 million lbs. as has been done during the past. On this basis, the figure of handloom production for 1929-30 and 1930-31 would be 1,464 million yards and 1,450 million yards respectively.

Methods of helping handloom weavers.—There are many directions in which the handloom weavers need to be helped, *e.g.*, by better organisation, better facilities through the agency of co-operative Societies, by the elimination of middlemen, etc. I hold the view, however, that in order to give adequate encouragement and impetus to the handloom weaving industry, a prohibitive duty on import of foreign cloth and on yarn should be imposed in order to oust them completely and to make India self-sufficient in respect of the supply of cloth. The latest figures of cloth production in India warrant the belief that India can easily produce all the cloth she needs. This being so, on account of the presence of internal competition, the consumers will not suffer. But if a prohibitive duty is imposed, there is the danger that the mills alone may increase their production of cloth and the rate of the handloom weavers may not at all improve. In order to guard against this contingency, I would suggest the introduction of suitable legislation whereby the mills in India would be precluded from engaging themselves in the production of cloth from yarn, say, below 12 or 15 average counts (excepting twills, blankets, calendered cloth, Dobbie pattern jacquard pattern, etc.) for the production of which the handlooms have special advantages. The enactment of such legislation will ensure a distinct market for the goods produced on the handlooms and they will thus be saved from a certain amount of competition of mill made goods. If the import of foreign cloth is totally eliminated measures could also be devised of giving greater assistance to the handlooms as compared with the mills. For a detailed discussion of this question I would suggest perusal of my books—"How to Compete with Foreign Cloth (1931)" and "Indian Cotton Textile Industry—Its past, present and future (1930)", where it has been treated in greater detail.

Necessity of Banning Foreign Yarn.—I would also suggest the imposition of a heavy duty on foreign yarn, artificial silk yarn and artificial silk cloth for the benefit of the Indian handlooms and mills. Most of the mills, under the direction of the Congress, have already given up the use of foreign yarn and artificial silk yarn. They have also begun to manufacture finer yarn, of counts above 40s and 60s by importing raw cotton from foreign countries and if they are given encouragement and assurance for protection,

they would be able to supply handlooms also with such finer yarn, before a long time. There is no need for artificial silk yarn or cloth in India and unless a ban is placed upon the imports of these by the country, such imports will mount up considerably in quantity and the menace of the import of cotton yarn and cotton piecegoods will be substituted by artificial silk yarn and piecegoods of artificial silk or of cotton mixed with artificial silk. During the last three years such a tendency is being witnessed. During the year 1931-32 when the total import of foreign piecegoods decreased from 890 million yards to 775 million yards, the import of artificial silk piecegoods went up from 51 million yards to 84 million yards, while the value increased from Rs. 2,11 lakhs to Rs. 2,51 lakhs. It is true that the ban on imports of artificial silk yarn and foreign yarn would bring about a dislocation to several weavers who depend on such yarn at present, but that will only be a temporary feature as they can adapt their looms to the working up of such yarn as is available in the country. As soon, however, as it becomes more generally known that handwoven goods are being made from only indigenous yarn to the exclusion of foreign cotton yarn, and artificial silk yarn, they will receive greater patronage at the hands of the people, due to their being completely "Swadeshi", to the use of which a large number of the people is practically pledged.

Khaddar by all means.—It only remains for me now to point out the greater advantages that would result to the country from the use of Khaddar in preference to even indigenous mill cloth. There is no doubt that at the present moment no one will help willingly to drain the money out of the country by purchasing foreign cloth, but the question which puzzles many is which should be preferred Indian mill made cloth or Khaddar? Having referred to the great poverty of the masses and the necessity of finding some employment for them during their idle period, there is no doubt that the nation must concentrate its efforts in finding some supplementary occupation for relieving this unemployment. Hand spinning and hand weaving it has been pointed out, are the illustrations of the most practical methods in which such employment can be given.

The Khadi Tax.—The question, however, is being raised that hand woven cloth is dearer than mill made cloth. It should not be forgotten, however, that the Indian peasant is in great distress at the present moment, and that the only relief that can be given to him on any large scale is through purchase of Khaddar, even though it may be a little dearer, which it is not in all cases, looking to its lasting quality, etc. This being so, it is unpatriotic and selfish to shirk the Khadi Tax if one may so choose to call it. There is no doubt that the purchase of Khaddar in preference to other cloth will keep the money in circulation amongst the agriculturists. By purchasing mill cloth we divert the flow of money from the village to the cities, and thereby obstruct the relief of distress of large numbers of our poor people living in villages. Sjt. C. Rajagopalachari pointed out in a recent article in the Young India: "Khaddar is not only economically unsound, but is based on a far sounder and stabler economics than the worn out pseudo-science of that name that has broken down in the West".

I trust that in appreciation of these various factors the Tariff Board will see their way to recommend suitable measures for the amelioration of the hand spinning and hand weaving industries in India in the development of which is bound up the prosperity of the millions of this poor land.

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(3) *Letter dated the 28th September, 1932, from M. P. Gandhi.*

I have pleasure in forwarding to you herewith six copies of my memorandum on "Whether India should import artificial silk yarn and piecegoods". I shall feel obliged if you will kindly place it before the Tariff Board.

Enclosure.

Whether India should Import Artificial Silk Yarn and Piecegoods, by Mr. M. P. Gandhi, M.A., F.R.Econ.S., F.S.S., Secretary, Indian Chamber of Commerce, Calcutta.

The question of the desirability or otherwise of imposing a ban or a prohibitive import duty on the imports of artificial silk yarn from foreign countries has been engaging the attention of the public for some time and is also referred to the Tariff Board for examination.

I propose to set up in brief in course of this memorandum the reasons against the imports of such yarn and piecegoods in India.

A glance at the statistics of the imports of artificial silk yarn during the last six years reveals the fact that about 75 lakhs lbs. of artificial silk yarn were imported into India annually during all these years. The value, however, of the imports has been decreasing steadily. This shows that the price of artificial silk yarn has been falling. During the year 1927-28 the value of the import amounted to 149 lakhs of rupees as compared with 139 lakhs of rupees in 1928-29, 99 lakhs of rupees in 1929-30, 80 lakhs of rupees in 1930-31 and 82 lakhs of rupees in 1931-32.

The imports of piecegoods of cotton and artificial silk during the year 1929-30 amounted to 57 million yards valued at 315 lakhs of rupees as compared with 49 million yards valued at 330 lakhs of rupees in 1928-29. The import in 1930-31 and 1931-32 was 51 million yards and 84 million yards amounting in value to Rs. 211 lakhs and Rs. 257 lakhs. This also shows that the value of these goods has been falling. It would be of interest to observe that amongst the suppliers of piecegoods or artificial silk and of cotton the country supplying the largest quantity was Japan. Imports from Japan during the year 1929-30, 1930-31 and 1931-32 amounted to the enormous figure of 25 million yards, 38 million yards and 74 million yards respectively or nearly 88 per cent. of the total imports in 1931-32 valued at 208 lakhs of rupees as compared with 3 million yards only valued at 30 lakhs of rupees in the year 1928-29. Within the course of a year Japan increased her exports of these goods to India by 800 per cent. and within the course of four years by 2400 per cent. The increase in the import of artificial silk piecegoods is indeed remarkable and noteworthy. When it is realized that as a result of the strong boycott movement, depression, etc., the import of foreign cloth dwindled within the space of two years to 775 million yards valued at Rs. 14 crores in 1931-32 as compared with 1919 million yards valued at Rs. 50 crores in 1929-30. The figures of import of artificial silk piecegoods are therefore alarming and the problem of reducing these imports should receive our very close consideration.

Use of Artificial Silk Yarn by Handlooms.—We may now consider how these imports of artificial silk yarn are used in India. From the records compiled by several importing firms like Courtaulds, based on information received by them from the handloom weaving centres of India, it is estimated that the consumption of artificial silk yarn by the handlooms is varying from 60 per cent. to 80 per cent. of the total imports. An official in close touch with the Cotton Mill Industry of Bombay is of the belief that 60 per cent. of the quantity of artificial silk and mercerized cotton yarn imported in Bombay and 80 per cent. of the quantity imported in India is used by the handloom weaving industry. The Collector of Customs, Bombay, puts the figure of the consumption of these yarns by the handlooms as high as 95 per cent. While there may not be any agreement in regard to the exact percentage, it is certain that a very large proportion of the imported mercerized and artificial silk yarn is used by the handlooms in the production of finer fabrics. Artificial silk yarn has come into general use due largely to the fact that it is possible to impart attractiveness and gloss to the cloth by the use of such yarn, and to the fact that the cloth turned out looks just like silk. The mills also have been using the yarn for turning out cloth which would stand in competition with similar cloth imported from Japan, Italy and other countries.

We may now consider here whether there is any necessity of the import of artificial silk yarn and piecegoods inside the country. That the tendency to use artificial silk yarn and piecegoods is increasing admits of no doubt. No one will maintain, however, that the use of such artificial silk yarn and cloth is necessary in India from the point of view of the climate, etc. It is also certain that if the use of imported silk yarn and of imported piecegoods of cotton and artificial silk is allowed to grow unchecked, it would offer in course of time a fresh obstacle in making India self-sufficient in regard to the requirements of cloth from within the country. The question of the possibility of producing artificial silk yarn in India had been examined once or twice during the last decade and it was found that it was not possible, at least in the near future, for India to produce artificial silk yarn. That being so and there being no artificial silk yarn industry to protect within the country, several persons do not agree with the Indian National Congress that a ban should be placed on the imports of such yarn. The argument is also advanced that it will be doing a great disservice to the handloom weavers in India if the import of artificial silk yarn is stopped as it will lead to a dislocation of several of the weavers, who are accustomed to use such yarn in the cloth produced by them. The argument cannot carry much weight, especially in view of the fact that the people in the country have pledged themselves to the use of Swadeshi articles and they will not therefore purchase cloth which is made from this artificial silk yarn which is imported from foreign countries, and particularly when there is the other alternative of the weavers taking to the use of fine yarn made in India. By Swadeshi cloth is meant such cloth as is woven inside the country from yarn produced inside the country. Unless, therefore, the cloth made from imported artificial silk yarn is to be exported out of India, the use of such yarn will have to be stopped absolutely in the near future both by the handlooms and by the Indian mills. A few mills in India have not yet accepted the condition of the Congress in regard to the abstention of the use of artificial silk yarn in their products, but a good many have done so. These former mills do not see any objection to the use of artificial silk yarn in India, on the ground mentioned above, namely, that the use of such yarn does not hinder the progress of a similar industry in India. Those who advocate this argument have evidently not considered the question of the Sericulture Industry of India. If the artificial silk yarn, or piecegoods of artificial silk or of cotton mixed up with artificial silk, are allowed to be imported and no ban placed upon them by the country, there is no doubt that such imports will mount up considerably in quantity, and in the event of this happening there is no doubt that the Indian Sericulture Industry will be hard hit. The cheapness of the imported artificial silk yarn has already affected the Sericulture Industry of India and there is the danger of the Indian Industry going almost out of existence if the import of artificial silk yarn is not completely checked. I am sure that several responsible persons who do not see any objection in importing artificial silk yarn in India for the production of beautiful cloth, will be converted to the view of the Indian National Congress if they were appointed as the members of a Tariff Board entrusted with the enquiry of considering whether the Sericulture Industry of India wanted protection. Looking at the problem aesthotically it can be argued that the imports of artificial silk yarn which is capable of producing more beautiful cloth, should not be banned. Considering from the point of view of protection to the Indian Sericulture Industry, there is no doubt that the import of artificial silk yarn and of piecegoods should be discouraged. Further it is but certain that the imports of artificial silk yarn and of piecegoods will greatly increase in quantity, and substitute the present *imports of cotton yarn and piecegoods which deserve to be stopped.* Unless, therefore the country is prepared to entertain, in course of time, the menace of the imported artificial silk yarn and piecegoods in place of the present menace of the cotton yarn and cotton piecegoods, it ought to beware, and endorse the action of the Indian National Congress in putting a ban on such imports. I would suggest that in addition to the voluntary resolve of the people not to use

cloth made in India from foreign artificial silk yarn and foreign artificial piecegoods, the Government should levy a high tariff duty on both of these in order to discourage their importation and thus to prevent injury to mills and handlooms. The persons interested in the Indian cotton industry approached the Government in 1930 with the suggestion that the duty on imported artificial silk piecegoods should be increased from 15 per cent. to 20 per cent. or a little more, but that was on another ground. Their contention was that the difference then existing between the duty on artificial silk yarn which was $7\frac{1}{2}$ per cent. and the duty on artificial silk piecegoods which was 15 per cent. did not give sufficient protection to the Indian Industry. Since then, the Government in response to representations of several commercial and industrial bodies increased the duty on artificial silk piecegoods to 50 per cent. and on artificial silk yarn to $18\frac{3}{4}$ per cent. last year. But in view of the great decline in the prices of artificial silk yarn and cloth coupled with the precipitous fall in the value of the Yen, the duty has had no effect, and artificial cloth has been imported, as we observed before, in large quantities. Owing to its cheapness, such cloth is not only competing with silk cloth as stated above, but is a very keen competitor with cotton piecegoods. It has displaced cotton piecegoods to a considerable extent, and threatens the Indian Cotton manufacturing industry with extinction if its import is not at once checked. In fact so great is its cheapness and so attractive it is to look at, that people are tempted to buy it, in preference to cotton cloth, although after washing it loses much of its gloss and is not so lasting as the cloth made out of cotton. Its initial cheapness and attractive colour ensure a great market, and this is detrimental to the Indian cotton manufactures. For the various reasons urged above, I would advocate that the duty on both the artificial silk yarn as well as piecegoods, should be increased at the earliest opportunity to a figure which would discourage their importation into India, for saving the Sericulture and Cotton Industries of India from extinction and averting the menace of the artificial silk yarn and piecegoods in place of the present cotton yarn and cotton piecegoods which the country is trying to eliminate as quickly as possible, by producing its requirements within the country.

I had the advantage of consulting Mahatma Gandhi, on this point last year when he was at the Yarrowada Central Prison, and Mahatmaji expressed the opinion that "Imports of artificial yarn and piecegoods deserve to be banned". I cherish the hope that in view of the several cogent reasons mentioned here, the people will give up the use of artificial silk yarn and cloth made out of artificial silk yarn either on the handlooms or in our mills and of imported piecegoods of artificial silk or of cotton mixed with it, and that the Government of the country will impose a prohibitive duty on them, for the protection of the twin Indian industries of cotton and silk.

For a detailed discussion of this question, I would suggest a perusal of my monograph on "How to Compete with Foreign Cloth—A study of the position of hand spinning, hand weaving, and cotton mills in the economics of cloth-production in India (1931)" with a foreword by Sir P. C. Ray and my Gujerati book entitled "Pardeshi Kapad Ni Same Harifai Kem Karavi" with a foreword by Mahatma Gandhi (1932).

I trust that in appreciation of all this, the Tariff Board will be pleased to recommend the imposition of a prohibitive duty in order to avert the menace to two of our textile industries.

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(4) *Letter dated the 3rd October, 1932, from M. P. Gandhi.*

I beg to submit the accompanying memorandum in order to point out the various shortcomings and defects in the statistical materials available in India in regard to the details of production and importation of raw cotton, of production and importation of cotton manufactures, etc. If more detailed information on the lines indicated below would be available in regard to the cotton textile industry, I am sure it would be of great value to all concerned and I trust that the Tariff Board will give this matter

their very close consideration and recommend strongly to the Government to make suitable arrangements for the collection, compilation and publication of such information for the use of the textilo trade and industry.

Enclosure.

A Memorandum on the Statistical Information regarding Cotton and Cotton Piecegoods and Yarn (their import, export and production).

1. Statistics should be made available in regard to the exact length of staple, etc., of imported raw cotton in order that it can be determined with exactitude how much of the imported raw cotton can be said to compete with Indian cotton.

2. Statistics should also be compiled in regard to the length of staplo and other qualities of raw cotton grown in India for the use of textile manufacturers as a result of which they would be able to determine better how cotton of various varieties can be used with the greatest advantage in the manufacture of cloth and yarn.

3. No information is available in regard to the value of cloth and yarn production in the mills. From 1917-18 to 1925-26 till when the exciso duty was levied, the figure of the value of production of cloth woven in tho mills are available but since 1925-26 information rogarding the value of tho cotton manufactures is not available and it is not easy to estimate with any claim to correctness the value of cloth and yarn produced in the mills. This is a serious defect in the absence of which it is impossible to determine the total and *per capita* expenditure of the country on cloth. I have made an estimate of the *per capita* expenditure, by estimating the value of cloth produced in mills and handlooms but it cannot be so reliable as an estimate derived from actual figures. I am enclosing herewith for the information of the Tariff Board a copy of my Note on the subject.

4. Likewise it is not possible to ascertain with exactitude the quantity of handloom production, let alone the still more difficult question of the value of such production. Some method should be devised whereby the production of cloth on handlooms can be determined. This information is very essential in order to gauge the progress of the handloom weaving industry and to ascertain how much handloom cloth is produced and consumed in the country. It will also be useful if figures of the value of cloth woven on the handlooms, could be found. In my Note referred to above, I have tried to arrive at an estimate of handloom production.

5. No statistics whatever are available of the total quantity of yarn turned out by handspinning wheels (Charkhas). This information would be very useful. As you are doubtless aware, in the absence of any statistics it has been assumed all throughout since 1896 that the quantity of handspun yarn annually available to the handlooms is 10 per cent. of the total quantity of yarn (both imported and foreign) available to the handlooms. This is clearly unsatisfactory as it would be ridiculous to maintain that the same percentage holds true for all the years (with different vicissitudes) from 1896 to 1932. I have made a roference to this matter in my memorandum on "Future of hand-spinning and hand-weaving in India" submitted to you sometimo ago, and have suggested in the course of my oral evidence as the representative of the Indian Chamber of Commerce, Calcutta, that it would be nearer the truth if we estimated the quantity of handspun yarn available to the handlooms, as 50 million lbs. for 1930-31 and 1931-32, instead of 30 or 35 million lbs.

6. Tho statistics of both production, and imports of yarn are recorded according to the counts but there appears to be no exact method of measuring the qualitative difference in piecegoods.

7. The statistics of the production, of import, and of export, of piecegoods are classified separately. Imported piecegoods are classified in the Annual Statement of Sea Borne Trade under more than 100 heads whilst the output of Indian mills is returned under 15 classifications in the

Monthly Statistics of Cotton Spinning and Weaving in India. The same name or term may have, and indeed has a very different significance in the two sets of figures. Comparisons therefore between the production and import of goods bearing the same name can seldom import be considered correct, and are often misleading. It is extremely difficult to compare what kind of cloth competes directly with cloth made in India, due to there being no similarity in compilation of statistics. A reference to this is made also in the Report of Mr. G. S. Hardy (1930) (pages 7-9) and the Report of the Indian Tariff Board (1927) (pages 165-167).

8. From 1900 to 1918-19 piecegoods were classified under three main heads—Grey (unbleached), White (bleached) and Coloured. A number of changes were introduced in 1918-19 whereby some goods have been sub-divided into further divisions, *e.g.*, grey goods have been sub-divided into plain and bordered and coloured goods have been sub-divided into printed, and dyed (in the piece), and woven. Certain imported goods have been transferred from white to grey. This vitiates comparisons.

9. In the statistics of production of Indian mills grey, and bleached goods are not shown separately and it is difficult to ascertain with precision the production of each of this kind of cloth. If, however, such information would be available, it would be of very great importance. There is no sub-division of coloured goods.

10. It is also difficult to make useful comparison of imported and locally produced piecegoods, due to the differences in classification. A revision of the classification should be made in order to enable all concerned to gauge the nature and extent of the competition of Indian piecegoods with imported ones, and to remove the complications that exist to-day in the enquiry on the subject.

11. Figures of the value of yarn produced in the mills are also not available. These are also essential.

12. It is not also known whether Indian mills as at present equipped, are in a position to produce the width of the bulk of the cloth, now imported from abroad. A large proportion of this is over 40″ wide and there might be a dearth of wide-reed space looms (*vide* page 83, "How to compete with Foreign Cloth", by the author).

APPENDIX.

Estimate of the per capita *expenditure on cotton piecegoods in India.*

Total annual per capita *expenditure on cloth.*—I am not aware of any endeavour having been made so far to find out the total annual expenditure on cotton piecegoods in this country, by the people of the country. What I mean is that no attempt has yet been made of estimating the total value* of cotton piecegoods consumed in India per annum. I am fully aware of the fact that there are several difficulties in making such an estimate.

Method adopted for estimating total annual per capita *expenditure.*—It would still be useful and instructive inasmuch as it will give us a rough, and at the same time fairly correct, idea of the total annual expenditure of the people on clothing. I have adopted the following method for arriving at this estimate.

2. *Figures of value of imports, exports, etc., from 1909-10 onwards.*—The figures of the value of the nett imports, that is (imports minus re-exports) of piecegoods from foreign countries are available, since 1921 in rupees and before that year in pound sterling. Similarly the figures of the value of the export of cloth from India are also available. The figures for the years before 1920-21 which are given in pound sterling, have been converted by me, after ascertaining the rate of exchange at which they were converted

* An estimate has been made for the *per capita* consumption of cloth in *yards*. *Vide* Table No. 1.

from the rupee values recorded in the bills of entry for the various years, with the Department of Commercial Intelligence and Statistics, Calcutta. The rate of conversion of these figures into pound sterling for the years from 1909-10 upto the year 1918-19 was Rs. 15 for £1 and for the year 1919-20, Rs. 10 for £1. These statistics in pounds for the years previous to 1920-21 have not been converted into rupees in any official publication or other work on the subject by other authors within my knowledge, and I have tried and given these figures in rupees because, I believe that it would give a very suitable and convenient basis for comparison of the figures for the last 20 years.

3. *No figures available showing value of goods woven in Indian mills.*—The figures of the total value of the production of Indian mills are also not available directly as no such statistics were compiled during the years 1908-09 to 1916-17. It is possible, however, to estimate the value of the goods woven in mills from the amount of the total excise duty paid to the Government (at the rate of 3½ per cent.) on the production of cloth woven in the mills (and retained in the country), by multiplying the figures of the nett excise duty by $\frac{200}{7}$. The figures of the nett excise duty are available in the Brochure on the "Indian Cotton Excise Duty" published by the Bombay Millowners' Association. The excise duty is refunded on the value of goods exported, and the nett figures of the excise duty exclude the amount of the duty paid on these goods once and refunded later at the time of exporting. The value of the exports of cloth should therefore be added to the estimated value of the production of woven goods, because the value of the exported cloth is not included otherwise. This is based on the assumption that all goods exported are millmade. This assumption is made as it is convenient to do so, and not because it represents the correct position. Handloom products must have formed a part of the export trade of cloth, but our assumption does not make any difference, so far as the result is concerned, because we have also assumed, for reasons given below, the same price for hand woven goods as for mill made goods.

Calculated on the basis of the figures of the nett excise duty.—As we have estimated the value of mill woven cloth up to the year 1916-17 from the returns of the nett excise duty, we will add the value of exported cloth to the estimated value of mill made cloth, for those years in order to arrive at the total value of the cloth manufactured in the country. It must be stated clearly, however, that the figure of the total value arrived at in this manner is not too reliable, as the excise duty on certain kinds of cloth was paid on Tariff Valuation which varied from year to year. The value of cloth woven in the mills estimated from the returns of the excise duty may be perhaps lower than the actual value, because the mills may have declared lower values, for paying less duty, but the difference cannot be very great after all. The figures of the value, estimated on the above basis from the figures of the nett excise duty for the years 1917-18 to 1925-26, differed from the actual value of woven goods in Indian mills for the years 1917-18 to 1925-26, as given in the Statistical Abstract for British India. As these latter values for the years 1917-18 to 1925-26 were more reliable as they were directly arrived at from the returns of the value of woven goods made by the mills, I have made use of them for these years, instead of depending on the estimated values calculated from the figures of the excise duty.

4. *Selection of quinquenniums.*—I have adopted the quinquenniums 1917-18 to 1921-22, and 1921-22 to 1925-26 for estimating the total *per capita* expenditure on cloth of this country, as the figures given for these two quinquenniums of the total value of the cloth woven in mills are first-hand and more reliable. From the previous years, for the purpose of comparison, the latest previous quinquennium that is, 1912-13 to 1916-17, has been adopted, with all its defects with respect to the estimate of the value of the goods woven in the Indian Mills, on the basis of the excise duty, as the figures of the average price of Indian mill made cloth and imported cloth are available for these years in the blue brochure on the

Excise Duty published by the Bombay Millowners' Association and as this serves as some sort of a check to see that the estimate of the average price per yard of cloth is not very unreal. Besides, it must be remembered that this is the only, and most dependable basis for the calculation of the value of the woven goods in the Indian mills, upto 1917-18, and must be tentatively accepted.

5. *The difficulty of estimating the value of hand woven cloth.*—The difficulty still remains of finding out the value of hand woven cloth in absence of any data or statistics of their prices. The figures of the quantity of hand woven cloth, manufactured from foreign and mill made yarn, have been arrived at from the balance of yarn available for handloom consumption (*vide* Table No. 1). For estimating the value of the hand woven cloth for these several years, I consulted several authorities on the subject, and after a very careful consideration of this question I have come to the conclusion, that it will not be very wide of the mark either way, if the figure of the value of handloom cloth was arrived at from the figure of its quantity, *on the assumption of the same average price per yard of hand woven cloth as the average price per yard of Indian mill made cloth, from year to year.* The figures of the average price in India per yard of Indian mill made cloth have been arrived at by dividing the nett quantity of Indian mill made cloth retained inside the country, *i.e.*, after deducting the quantity of exports of cloth from the total production of mill woven goods, by the nett value of the cloth retained inside the country, *i.e.*, after deducting the value of exports of cloth from the total value of the production of mills. *It has been assumed here, for the sake of convenience, that the export of cloth from India was all of mill made cloth, as it was difficult to find out how much mill made and how much hand woven cloth was exported out of India.* It is necessary to explain here that in arriving at this conclusion of calculating the value of hand woven goods, on the same basis as the average price per yard of mill made cloth from year to year, a note was taken of the fact that a considerable portion of the production of handlooms consisted of fine fabrics, and was sold at a far higher price than the average mill made cloth. As against this, there was also the other consideration which has weighed, that a great bulk of the cloth produced on the handlooms was manufactured from yarn of low counts, and that such coarse cloth must have fetched comparatively low price per yard. *It will therefore, I hope, be generally agreed that it would be safe to convert the yardage figures of hand woven cloth into value on the same basis as the average price per yard of mill made cloth from year to year.*

6. *Five years average preferred.*—For estimating the value of the cotton piecegoods consumed in the country, it will be better for obvious reasons to take an average of the figures for five consecutive years rather than to take the figure every year as varying sizes of stocks of cloth are carried over, from year to year, and this may make a great difference in the result.

7. *No statistics of value of goods woven in mills available since 1926.*—It has not been possible to obtain the figures of the value of the Indian mill production for the years after 1926 as the excise duty was abolished in April 1926. Since that date the figures of production of woven goods published under the Cotton Industry (Statistics) Act XX of 1926, are only given in yards and lbs.

Necessity of such statistics.—It would indeed be very useful if the figures of the value of the production of mill made goods were also compiled by the Department of Commercial Intelligence and Statistics, Calcutta.

8. *Table giving statistics of* per capita *consumption, etc.*—The table below gives the value in millions of rupees of nett import of piecegoods, of mill production, of exports, of handloom production, the population and the *per capita* expenditure in rupees on cloth. It also shows the quantity of imported, mill made and hand woven goods.

TABLE No. 10.—*Estimate of* per capita *expenditure on cloth in India (1909-10 to 1925-26).*

Value and quantity of nett imports of piecegoods, of mill production and handloom production of piecegoods, value of exports of piecegoods, and of *per capita* consumption of piecegoods from 1909 to 1925-26.

Year.	Total value of nett imports of piece-goods.	Total quantity of imported piece-goods. (re-exports deducted).	Value in rupees of mill production of goods in India including Native States.	Value of exports of piecegoods.	Total value of Indian millmade cloth retained in the country (after deducting the value of exports).	Total quantity of Indian millmade goods (after deducting exports).	Value of Indian millmade cloth per yard.	Total quantity of handloom woven goods.	Estimated total value of handloom goods.	Total value of Indian millmade and handloom woven goods.	Total value of Indian piecegoods (both millmade and hand-woven) and imported piece-goods. Addition of columns 2 and 11).	Population.	*Per capita* expenditure in rupees on cloth being 20 per cent. more than the total value in column 12.	Quinquennial average of *per capita* expenditure on cloth.
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	(Millions of rupees).	(Million yards).	(Millions of rupees).	(Millions of rupees).	(Millions of rupees).	(Million yards).	Rs. A. P.	(Million yards).	(Millions of rupees).	(Millions of rupees).	(Millions of rupees).	(Million).	Rs. A. P.	Rs. A. P.
1909-10 . .	328	2,070	137	20	117	838	0 2 2½	896	119	219	547	311	2 1 8	
1910-11 . .	375	2,162	147	22	125	949	0 2 2	908	123	224	599	313	2 4 7	
1911-12 . .	411	2,262	161	19	142	1,018	0 2 2⅓	1,044	141	261	672	315	2 8 11	
1912-13 . .	517	2,847	185	20	165	1,095	0 2 4½	1,040	151	300	817	315	3 1 5	2 11 8 (1912-13 to 1916-17)
1913-14 . .	567	3,042	181	21	160	1,034	0 2 5	1,068	161	304	871	316	3 5 0	
1914-15 . .	421	2,327	162	15	147	1,026	0 2 3	1,184	166	295	716	316	2 11 6	
1915-16 . .	353	2,019	167	24	143	1,281	0 1 9	1,048	114	235	588	317	2 3 7	
1916-17 . .	431	1,771	186	54	132	1,269	0 1 7½	816	80	177	608	317	2 4 9	
1917-18 . .	414	1,405	270	55	215	1,380	0 2 5½	812	122	337	751	317	2 13 7	4 10 8 (1917-18 to 1921-22)
1918-19 . .	436	955	444	64	380	1,264	0 4 8⅛	1,048	308	688	1,124	318	4 3 9	
1919-20 . .	478	836	578	87	491	1,401	0 5 7	564	197	688	1,166	318	4 6 5	
1920-21 . .	802	1,405	629	75	559	1,411	0 6 4	1,148	454	1,013	1,815	319	6 13 2	
1921-22 . .	395	980	607	74	533	1,545	0 5 6	1,190	409	942	1,337	319	5 0 5	
1922-23 . .	552	1,467	593	70	523	1,539	0 5 5	1,341	454	977	1,529	319	5 12 1	5 2 6 (1921-22 to 1925-26)
1923-24 . .	543	1,374	528	66	462	1,501	0 4 10	1,005	303	765	1,308	320	4 14 1	
1924-25 . .	670	1,710	594	68	526	1,740	0 4 10	1,256	377	903	1,573	320	5 9 0	
1925-26 . .	530	1,529	472	61	411	1,790	0 3 8	1,160	265	676	1,206	320	4 9 9	

N.B.—Up to the year 1916-17, the value was estimated on the basis of the nett excise duty (*i.e.*, the excise duty paid on Indian millmade goods minus the refund of excise duty, on the value of goods exported) and therefore the value of the export of cloth is added to the value of the millmade goods, on the assumption that all exports were of milmade goods. After 1916-17, the actual value figures of millmade goods were available, from the Statistical Abstract and therefore the value of the production of mill cloth for the years 1917-18 to 1925-26 has not been estimated on the basis of the figures of the nett excise duty by multiplying them by $\frac{200}{7}$. Therefore, the value of exports is not added to these figures for arriving at the figure of the total mill production.

For arriving at the total expenditure of the people on cloth, allowance must be made for the higher retail prices paid by the actual consumers of cloth. It would not be incorrect if we add 20 per cent. to the total value of the imported cloth and the millmade cloth. Accordingly 20 per cent. has been added in the calculation made in column 14.

* For the figures of the quantity of cloth consumption, and the *per capita* consumption of cloth, in yards, *vide* Table No. 1.

9. *Average* per capita *expenditure on cotton piecegoods.*—The calculations in the above table* give a rough idea of the total expenditure incurred by the country annually for its requirements of cotton piecegoods. The average figure of the *per capita* expenditure on cloth in rupees per annum during the quinquennium 1912-13 to 1916-17 works out to Rs. 2-11-8 as compared to Rs. 4-10-8 for the quinquennium 1917-18 to 1921-22 and Rs. 5-2-6 for the quinquennium 1921-22 to 1925-26. The figures of the *per capita* consumption of cloth in yards are given in Table No. 1 of this Monograph. A comparison of these figures with that table will be instructive as it will indicate the steady rise in the price of cloth during these years.

10. *Great increase in expenditure during last few years.*—Between the year 1909-10 and 1924-25, the *per capita* expenditure on cloth went up by more than 250 per cent. or if I restrict myself to the use of the figure of quinquennial average, as suggested elsewhere, between quinquenniums 1912-13 to 1916-17 and 1921-22 to 1925-26, the *per capita* expenditure on cloth went up by nearly 160 per cent.

11. *Average expenditure on cloth about $\frac{1}{9}$th of average annual income.*—The figure of the *per capita* expenditure for the last year, *i.e.*, 1925-26 also makes one reflect that an individual in India has to spend on the average as much as Rs. 4-9 per annum for his clothing from his meagre average income of Rs. 50 per annum. It would confer a great benefit on the Indian industries if all the money now spent on purchasing foreign cloth were retained inside the country, by the manufacture of cloth at home.

Martin & Co., Calcutta.

Letter dated the 14th September, 1932.

As desired in your letter No. 414 of 29th August, addressed to my firm, Messrs. Martin & Co., I have the honour to send herewith six copies of a memorandum of notes on the general working of the Managing Agency system, particularly with reference to the questions raised by the Bombay Shareholders' Association.

I have no knowledge of the Cotton Textile Industry and, accordingly, am not in a position to offer any comments on the specific practices alleged to be in vogue in the Bombay industry.

Opinions expressed in the memorandum are my own but my firm approves generally the argument advanced.

As requested, I shall present myself before the Board on Thursday, 15th September, at 2-30 p.m.

Memorandum of Notes by Mr. K. C. Mahindra, dated the 14th September, 1932.

Question 32.—The amount annually charged by the Managing Agents for (i) Office Allowance and (ii) Commission vary in each industry and there is a further variation in respect of each Company. A statistical tabulation,

* Nobody is more aware than the author of the inaccuracies that there may be in the above method of estimation of the total expenditure of the country on cotton piecegoods especially for the years before 1917-18, but the estimate has been made and put forward in the hope that it will inspire some person intimately acquainted with the industry to think about the matter and to suggest a better and more reliable method, if any, of estimating with greater preciseness the *per capita* expenditure of the country on cloth. I shall be glad if any reader would inform me of any better method for such estimation.

industry by industry, of the remuneration received by the Managing Agents under these two heads will not yield any fruitful conclusions in as much as the conditions governing the respective industries are widely divergent and the circumstances attached to respective concerns even in the same industry are not uniform.

There is accordingly no specific test of "fairness" which can be applied uniformly to Managing Agents' remuneration. General considerations coupled with the circumstances attached to each concern are the only criterion by which opinion can be formed whether the Managing Agents charges are fair or otherwise.

(a) *Office Allowance.*—The Bombay Shareholders' Association has stated that this is a war-time creation. Such is not the case. The first flotation under the ægis of my firm was in the year 1897 and in the Managing Agents' agreement signed that year, a fixed allowance per month finds a place. In all subsequent flotations similar provision is made. The Bombay Shareholders' Association rightly state that office allowance should generally be understood to mean disbursements for office establishment. So it is and more. The office allowance is usually meant to cover head office accommodation, rent and taxes thereof, lighting, fans and Managing Agents' establishment (clerical), share of services of despatch, enquiry and cash departments in several instances, part time services of a Senior Accountant and the secretarial staff, and in several cases also all postages, stationery, telegrams and menial staff. Office allowance accordingly is a recovery by the Managing Agents of their estimated out of pocket expenditure on behalf of the Company. Managing Agents provide a centralised secretarial and clerical service which would cost each Company considerably more if they were to maintain individual self contained offices of their own. Office allowance is not a remuneration in the sense of being a profit to the Managing Agents.

(b) Commission received by the Managing Agents on the working of the Companies under their control forms their real remuneration for administrative services (in the broadest sense) rendered by them prior to flotation and subsequently during the "nursery" period and later for day-to-day management and conduct. Managing Agents' interests do not merely represent "promoters' charges or capitalised goodwill" as Mr. Manu, Subedar, has characterised them in his Minority Report to the Indian Central Banking Enquiry Committee (1931). The idea of the venture originates with the Managing Agents; they investigate and explore the practical possibilities of its exploitation; they spend considerable amount of money in experiments and ultimately when they are convinced of its commercial future they present it to the public. Limited tenure of office as Managing Agents and a reasonable commission is the return which they receive in the form of postponed payments for originating the idea, for the risks undertaken, experiments carried out, money spent and for day-to-day supervision and management.

The general practice in case of Companies under the control of Martin and Company is to grant to the Managing Agents commission on profits. It is asserted by the Bombay Shareholders' Association that the Clause in Managing Agency agreements relating to commission on profits is usually vague and permits the Managing Agents to earn commission on profits other than business or trading profits. It is not possible to judge the value of this assertion in the absence of the exact wording of the offending clause, but in our practice the commission clause is invariably stated in most clear language and the auditors invariably scrutinise at every audit whether the terms are being faithfully observed.

There are a few concerns in whose Managing Agency agreements commission on sales is provided. The Bombay Shareholders' Association considers this practice indefensible on the grounds stated in the Tariff Board Report of 1927. It is stated there that such a practice tends to concentrate attention on output rather than on quality and that it removes the incentive

to the disposal of production at the best possible price. Both objections are wrongly conceived. Managing Agents are allowed the commission on sales in cases where a specialised sales service is required. Managing Agents usually provide an expert salesman with office assistants for organising the service; they also place at the disposal of the Companies services of their own travellers and of their own sales organisation. For the additional expenses incurred on such an organisation the only adequate basis of remuneration is a small percentage on sales. The practice is usual in competitive industries and in concerns where technical proficiency is a prerequisite for purposes of selling. The percentage given to the Managing Agents is on the total value of sales and not on volume. Accordingly where quality brings better prices it is to the interest of the Managing Agents to see that quality output is maintained and further, that the products fetch the best possible price.

We have only one instance where Managing Agents are given a commission on output. This is a special industry where the maintenance of output is of primary importance and where prices are regulated by a combine between the manufacturers. Output and quality are the special concern of this industry and very naturally the Company expects the Managing Agents to concentrate on these two factors. Price at which the product is sold has become a matter of policy and not of the selling organisation. Remuneration of the Managing Agents is therefore based partly on output and partly on profits.

I repeat that it is the circumstances in each industry and the conditions under which a particular concern is operating which should rightly determine the basis of remuneration to the Managing Agents. There is nothing inherently objectionable in the practice of commission on sales or on output as long as the services demanded of the Managing Agents warrant such a basis of remuneration.

(*c*) No useful conclusion can be drawn by comparing the position of the Managing Agents with that of the fixed income earner as the Bombay Shareholders' Association has done. The Managing Agent does take the risk of fluctuating fortunes, when his emoluments in the shape of commission on profit or on sales or on output show a diminishing tendency with the contraction in business. In distressful days as we have witnessed during the past three years the Managing Agents have willingly foregone in many instances their remuneration in order that the Company may keep going.

(*d*) The Tariff Board in their 1927 Report have opined that over a series of years the system of commission on sales has proved the most expensive. This conclusion is based on calculations made by them in respect of the Textile Industry. It does not necessarily follow that the same would hold good of other industries, nor when a proper weightage is given to the differing rates of percentages on sales or on profits which rule in the different concerns. Unless it is assumed that a certain total remuneration is fair or reasonable (an assumption which cannot demonstrably be maintained) it is not profitable to compare the two practices. Managing Agents' remuneration does not provide the primary stimulus to efficient working; it is of secondary importance. It is principally the desire on the part of the Managing Agents to maintain the regular flow of fresh investments in their ventures through holding the confidence of the public which induces them to keep their concerns on the efficiency track, apart from other reasons both financial and administrative.

Question 33.—Exception is taken by the Bombay Shareholders' Association to the provision in the Articles of Association authorising the Managing Agents to contract with the Company on the ground that such authority provides the Managing Agents with loopholes for indirect sources of additional income, *e.g.*, commission on purchases of materials, on sales, on insurance, on advertisements, etc. I consider that it is necessary that the Managing Agents should be given this authority to contract in order

to facilitate the conduct and economic management of the Company. As a general rule the Company is not floated before several years of preliminary work have been spent and the concerns are in many cases in full operation before public participation is invited. During these years Managing Agents provide from their own organisation services of construction, of supplies, of sales. They are the best people to know the needs of the new Company and how to provide them at the cheapest possible cost. Administratively it would be extremely imprudent for the new Company to ignore the facilities which are available within the house. I take the Bombay Shareholders' Association's allegation to mean that this authority has been abused by certain class of Managing Agents in Bombay. I submit that no such allegation has been made in respect of Managing Agencies in Calcutta.

In regard to purchases for the Company in actual practice there is strict provision made in the Managing Agency agreement that when supplies are made by Managing Agents these are to be charged at current market rates ruling for the time being when the same are supplied. In another instance it is specifically laid down that the supplies from Managing Agents should be charged " at the lowest prices at which they shall for the time being supply other Companies to which they are Managing Agents and the prices at which they shall sell to the Company shall in no case exceed the market prices of the day ruling for similar articles ".

In the arrangement for purchases several Managing Agents maintain a central department which serves all the Agencies under their control. Being in constant touch with the market it is in a definitively better position to purchase at the best prices than the Company's officers acting independently. In several of the well regulated firms of Managing Agents a surcharge over the purchase rates is fixed for such supplies on behalf of the Companies to cover the costs of the central purchasing department and this surcharge in practice amounts to much less than the savings effected by the department in buying the best quality in the cheapest market. Moreover, such purchases through the Managing Agents, as also all other contracts which the Managing Agents make with the Company, are under the Company law subject to full disclosure at the Board meetings.

There is another instance where Managing Agents are authorised to charge a small overriding commission on supplies from outside. Here the circumstances were that a group of Companies used to employ an expensive firm of Consulting Engineers for advising on technical equipments and their purchase. The Managing Agents having strengthened their technical personnel offered to render this service in return for a small surcharge on purchases which cost the Companies considerably less than the fees they paid to Consulting Engineers. This example is cited as an illustration of the varying conditions in each industry and the danger of generalising from isolated instances.

It is stated that Managing Agents some times hold agencies of insurance companies and this practice does not result in securing the most advantageous terms for companies under their management. I do not know the practice in Bombay, where, it is stated, " intensive and acute competition prevails among insurance companies and that mills being good risk ought to secure substantial rebates ". In Calcutta all Insurance Companies are in a combine and there is an Honour Agreement between them that " no rebate or returns of any kind whatsoever either direct or otherwise not sanctioned by the Tariffs will be made " by any of the members. The Managing Agents cannot pass on their commission to the respective companies under their control, for appointment of " own case " agencies is a breach of the rules under which insurance agencies are given. The companies, therefore, will not benefit pecuniarily from independent insurance; on the other hand, Managing Agents maintain a special officer to look into the insurance problems of each concern under their management and take utmost advantage of the Tariff variations between different classes of risks.

I do not know of any commissions being earned by Managing Agents on advertisements and retained by them. In my firm the same are passed on to the companies when received.

There is no instance in Calcutta within my knowledge where Managing Agents have formed Companies mainly for the purchase of materials to be supplied to the Companies under their management.

Question 35.—Before dealing with the issues raised on management reform the specific question of depreciation being regarded as a first charge on production may be disposed of. Generally our practice is to calculate the Managing Agents' commission on profits after providing for depreciation at the rates scheduled in the Income-tax Act. There are a few cases (chiefly public utility concerns) where such deduction is not made and the justification for departure from the usual practice lies in the peculiar nature of these industries. Public utility concerns do not in normal times yield the same gross return on paid up capital as do other industrials; for the Managing Agents to receive an adequate remuneration it would be necessary to increase the percentage on nett profits if depreciation is to be deducted before calculating the commission. I have carefully compared the returns of these Companies and do not consider that the difference in practice in their case has led to increased receipts by the Managing Agents as compared to the remunerations they receive from other concerns.

In the "interests of economy, efficiency and purity of administration" the Bombay Shareholders' Association has urged several "reforms" in Company law and during the course of their argument pointed out several deficiencies from which the Managing Agency system suffers.

(*a*) It is stated that the mutual relations of directors and Managing Agents *vis-à-vis* the Company have not been defined under the Companies Act, and that the "so called control and supervision of the Board is not obligatory or effective".

In most of the Companies under the Managing Agency of my firm the respective duties and obligations of Managing Agents are very clearly defined in the Articles. In addition to the repeated use of the expression "subject to the control and supervision of Directors" in relation to the powers given to the Managing Agents there are several other provisions which define the mutual relationship. I give sample excerpts from the Articles and Managing Agency agreements below:—

(i) All account books, vouchers, contracts and other documents relating to the business of the Company shall be at all times open to the inspection of the Directors and the Managing Agents shall keep the Directors fully informed of all business undertaken by the Company.

(ii) The responsibility of the Managing Agents for the due and proper management of the Company's business shall not be lessened or abrogated by the existence of such Board of Directors, the functions of such Board being to advise with the Managing Agents without taking any active part in the management of the Company's business, but in the event of the said board differing from the view held by the Managing Agents on any particular question relating to the business of the Company, it shall be lawful for the Board to direct the Managing Agents not to act on the view held by them until the matter shall have been laid before the shareholders in General Meeting.

(iii) Managing Agents during their time of office shall obey the orders from time to time of the Board and in all respects conform to and comply with the directions and regulations given and made by them and shall well and faithfully serve the Company and use their utmost endeavours to promote the interests thereof.

(iv) In the Article of Association authorising the Managing Agents to contract with the Company it is definitely laid down that the nature of their interest in any contract " must be disclosed by them at the meeting of the Directors at which the contract or arrangement is determined on if the interest then exists or in any other case at the first meeting of the directors after the acquisition of the interest ".

I know of no case where the Articles lay down that the Directors are to do such acts and to exercise such powers only as are not exclusively vested in the Managing Agents.

I know of no case where Managing Agents refused transfer of shares to a person on the ground that the said person happened to possess the reputation of being a critic of the Managing Agents.

(b) The right of Managing Agents to nominate a representative on the Board must continue for obvious reasons. In companies under the control of Martin & Co., this right is usually limited to one, occasionally two, directorates on a Board of six to eight. A complaint is made that the first board is chosen by Managing Agents and hence is packed. It must be so, even in case of flotation under so-called independent Company management. When a Prospectus is placed on the market it is sponsored either by a firm of Managing Agents or by a group of people well-known in industrial or financial circles. The first Board is usually nominated in the body of the prospectus and as long as these interests continue to exercise an effective control the Board must reflect their opinions to a very large extent. Loose talk about " independent " Boards of Directors should not blind one to the realities of Company management whether in India or abroad.

(c) It is not the usual practice for partners of my firm to accept outside directorships. Exceptions to this rule are made occasionally on grounds of personal friendship, never for profit. That constitution of Boards of Directors in general were considered defective by the Tariff Board in 1927 on the ground that few Directors take an active interest is a matter to be deplored but which cannot be rectified by changes in the law. It is the wider infusion of industrial knowledge alone which will provide a greater provision of commercial skill and an increased field from which active Directors can be drawn. Until then it is prudent that company management should remain in the hands of conservative Managing Agents with a reputation to sustain rather than that it should be made the pawn of clever but unscrupulous people.

(d) Deficiency of technical knowledge when prevalent among members of the Managing Agents' Firm is no doubt a handicap, but a legislative provision to amend the deficiency will, beside being ineffective (it is not possible to define what " technical training " means) militate against the development of multi-lateral industries such as are controlled by firms like Martin & Co. It is comparatively easier to engage technical skill and specialised knowledge than to build up a reputation for sound finance, clean business and high commercial integrity.

(e) It is alleged that the Managing Agents arrange a virtually perpetual tenure of office; their removal is hedged round with practically insuperable difficulties. This practice has led to inefficiency and incompetent management. Further it is said that the right to assign the Managing Agency agreement tends to foist undesirable parties.

The usual fixed minimum tenure in case of Companies under the control of Martin & Co., is 10 to 15 years.

There is possibly some justice in the allegation that occasional advantage has been taken by fraudulent company promoters to enrich themselves at the expense of ignorant investors. But as a matter of practical experience

and history the insinuation that Managing Agents' long tenure of office puts a premium on dishonest or incompetent management is baseless. Consider the successive stages in which a joint stock company is conceived, promoted and later floated for public subscriptions. A large amount of prospective work is necessary before the scheme can be matured to the stage when it can definitely be termed a workable proposition. A group of people, a syndicate of private persons or firms, or a firm of Managing Agents take this risk and spend money on investigations and report. It will not be far wrong to say that of ten schemes investigated barely three or four mature and the preliminary expenses on the remaining six or seven are waste. After it is proved to the satisfaction of the promoters that the proposition can be made profitable, very often an intermediate stage, that of a private company, intervenes before the public are asked to subscribe to the venture. Private companies carry on for a couple of years or more to prove the faith of the promoters and only after such proof is forthcoming the venture is offered to the public for two reasons. The promoters feel that they have reached a stage when the spadework is done, the routine established and the company can safely be launched on a profitable career; that beyond the usual careful scrutiny and supervision no further intricate matters of policy or procedure will arise to demand their attention. As a reward for their bearing the risk of uncertainty during the period of gestation of the company, for the patient investigation and careful balancing of both the technical and financial aspects, for the provision of necessary skill and talent for continuing the venture on the lines which they consider profitable, the promoters desire control for a number of years. They consider, and rightly, that they are the best people to nurse the new company during its initial stages. Another reason for public flotation is the release of the money they have put in, in order that the same may be utilised for other new schemes which they may have under consideration. It is not unreasonable under the circumstances that the promoters should ask for a fixed period of ten years or so in order that, firstly, they may recoup themselves for the money they have spent on investigation, secondly, garner the rewards of their enterprise, and thirdly, see the Company out of the wood and establish it on a sound stable basis. It happens occasionally that public flotation is a frost and the Managing Agents are left with a large number of shares on their hands. This does not mean the stoppage of the industry, for usually the Managing Agents have faith in their schemes and they set about to show to the public in a few years' time that the company has made good. For this purpose again a fixed tenure over a number of years is necessary. In regard to the charge of irremovability, it is usually the sound and conservative firms which carry on as Managing Agents. Dishonesty is in itself a rapid solvent of the problem. When inefficiency and corrupt practices characterise the management of a company, the exceptional powers under the Articles can be resorted to. While it may be said that it is difficult for shareholders to get together and act in concert yet no legislative enactment can arrest dishonesty before the deed is done. There is further the provision incorporated in several of the recent companies incorporated under the control of my firm that if Managing Agents fail to observe the terms of the agreement the Directors may at any time give notice to terminate the Managing Agency agreement. In any case fixity of tenure is no bar to bringing in a vote of no confidence against the management. To be able to do so may mean delay under the present Company law, but I do not see any change made under this head even in the revised English Company Act. The safeguards about extraordinary resolutions have been found in practice to be necessary. After all, removal of a management which has admittedly sponsored the enterprise and made good in the past is an extraordinary measure and full investigation should be made to prove the charges against them before evicting them. The remedy is there and I consider it is well that overwhelming proof is wanted for the purpose of transferring control. The relaxation of the law on

this point would mean its unscrupulous use by interested parties leading to break in a continuous policy which cannot but be to the dotriment of the company. Continuity of policy and control in the management of a company are essential for success.

In regard to the allegation that the Managing Agency is sold to the highest bidder irrespective of his competency to manage the particular industry, so far as experience in Calcutta goes, transfer of Managing Agency has taken place in cases where either amalgamation of control over allied industries is considered desirable from the point of view of economy and efficiency or where the old firm of Managing Agents finds itself in difficulties and seeks to safeguard the shareholders' interest by transferring to a reputed firm which has already made good. That a large price is bid for such control speaks highly of this method of business organisation. Moreover, all such transfers are subject to shareholders' scrutiny and approval.

(*f*) The practice of mortgaging a part or whole of the commission by Managing Agents is not prevalent as far as I know in Calcutta.

(*g*) No compensation is payable to Managing Agents in the event of liquidation of any of the companies under the control of my firm.

(*h*) It is not the practice in my firm to lend the companies' monies either to the Managing Agents or to the companies under their control. This practice is very rigidly adhered to.

(*i*) It is not the practice of the partners of Martin & Co. to speculate or trade in shares of concerns under their management. Their purchases and sales of stocks are principally investment deals. The staff too is specially discouraged from speculative dealings in shares of these companies. It cannot be denied that Managing Agents if they so desire can operate on the Stock Exchange in shares of companies under their control with practically no risk of loss. But it is not a peculiar trait of the managing agency system alone; any other form of management will invest the men in charge with similar powers. There have been cases where Managing Agents have taken advantage of their position and speculated in their own companies' stocks, but it is submitted that perhaps more numerous and glaring instances of a similar nature may be cited from industrial and financial centres where tho system of Managing Agency is unknown.

Generally.—In considering the specific issues raised by the Bombay Shareholders' Association, as was the direction of the Tariff Board to me, I may have unwittingly given an impression that the Managing Agency system is on the defensive. Such was not my intention, for in my opinion the system is too well entrenched and in Calcutta particularly it is recognised as exercising a beneficient influence on industrial development. Generally, the so-called deficiencies of the system on which the Bombay Shareholders' Association have laid stress would appear under any kind of dishonest management. If the suggestion is that by abolishing the Managing Agency system we will get rid of dishonest practices I do not agree; for conditions which tempt unscrupulous people to indulge in dishonesty would still be there, Managing Agents or no Managing Agents. The executives of a Joint Stock Company would always remain in a position of vantage as against the ordinary shareholders whatever the form of company management you may devise.

The Managing Agency system has rendered invaluable service to industries in India and in the words of the Industrial Commission Report of 1917 it is a "system well adapted to present conditions in India and has a far greater list of successes to its credit than can be shown by ordinary company management under individual managing directors." Its most valuable function has been described by Sir Victor Sassoon as that of arranging finance for the concerns they manage. True as this statement is, I consider a more beneficient characteristic of the system has been the role the Managing Agent has played as an enterpriser, as the originator of an idea. As an entrepreneur the Managing Agent has led the way for

a systematic industrial advance. A still more important service the Managing Agents have rendered is that of nourishing the growth of new enterprises and in difficult times carefully nursing young "weaklings". Many young Companies would go into liquidation unless financial aid in times of stress was forthcoming. We have several instances under the management of Martin & Co., where but for the continued financial assistance of Managing Agents the companies would have long since been wound up. Concerns floated under the auspices of a sound and conservative firm of Managing Agents start with the advantage that the Managing Agents have confidence in their future and that they are prepared to back up their confidence by rendering full financial assistance to the Companies during times of depression. The Tariff Board itself has recognised that Managing Agents are "more than a mere commercial concern that in bad times private fortunes have been devoted to the assistance of a business which would otherwise have collapsed." I do not see any other form of company management earning this handsome tribute. In addition to the specific service rendered in saving the "weaklings" Managing Agents create a feeling of confidence and trust when it is most needed. Yet Mr. Subedar in his Minority Report to the Indian Central Banking Enquiry Committee (1931) has not hesitated to make the allegation that the Managing Agency system "tends not to encourage but to check the flow of capital in industry". I not only emphatically deny this, but would say that the Managing Agency system has contributed more than any other single measure or method to remove the distrust and insecurity which has prevented Indian capital from participating in industrial ventures. Look at the register of ownership of Joint Stock Companies in Bengal. It reveals during the last decade or so a gradual, but overwhelming, change in the domicile of proprietory interests. "Indianisation" of capital stock has proceeded rapidly until to-day about 60 per cent. or perhaps more of the capital invested in jute mills is owned by Indians. The same story may be told about coal, engineering and railway industries. Tea concerns are still a monopoly of plantation families, but the dispersion of proprietory interests has commenced even there and Indian-owned gardens are on the increase. What was the stimulant which attracted Indian Money out of its shy hoards? Inherently, I do not believe Indian capital has any singular characteristics which European capital does not possess. For a regular flow of capital into profitable and productive channels two conditions are essential—one, a steady stream of income, that is, in other words, an increase or, at any rate, regular maintenance of the national dividend of the country—and secondly, the accumulation of trust and confidence in the stability of industry, which is the same thing as confidence in the men who control and manage business. Indian-owned capital admittedly began to participate in industrial ventures at the beginning of the century. Excepting cyclical fluctuations, the process has continued and India to-day is meeting an increasingly large proportion of her capital requirements internally. The instances of changes given above in respect of jute, coal and other industries may not prove an increase in the national dividend of the country, but they certainly indicate an increasing amount of faith and confidence in the men who control the industries. And these men represent as a general case firms of Managing Agents who have "made good". In India, in Bengal particularly, confidence has been established and I have no hesitation in attributing it to the steady and conservative control of industry by Managing Agents, who saw profit to their name in profits honestly earned, and so built up a reputation for integrity and sound business sense. It is a common experience in financial circles of the city that a venture promoted under the auspices of a firm of Managing Agents stands a better chance of attracting public money than does a company with an independent and whole-time executive; naturally because the Managing Agents affix to the prospectus of the company the seal of their approval and give to the new concern a promise of steady and sound control. The investor's risks are accordingly minimised and the

hall mark of a reputable firm is often sufficient inducement to him for investment. I do not say that the manner of such investments is a measure of progressive finance; but in the absence of a broad-based infusion of financial intelligence it is well that old and trusted firms sponsor new industrial ventures and afford protection to the investors.

Perhaps, the discussion will not be complete without reference to current industrial history and to the comparative significance of the reactions of this form of business organisation on the stability and growth of commerce in the two important business centres of India, Bombay and Calcutta respectively. I have already indicated my belief that Managing Agency system permits of no more dishonest practices than does any other form of management; in fact this system is an insurance against individual inclinations for dishonesty, which characteristic is more rampant than group-dishonesty. The plight of the cotton industry as compared to the prosperity of jute trade brings invidious reflections to the mind. But dispassionately, one may distinguish the differing elements in some such manner: (*a*) geographical, *e.g.*, position of Bengal as the only jute producing country in the world, (*b*) competition in production, *e.g.*, overwhelming preponderance of Jute Mills in Bengal over jute mills abroad, (*c*) consumers' market, *e.g.*, the extreme sensitiveness of cotton markets, (*d*) policies of management.

To apportion blame and praise after considering only one of these many equally important factors will be to accept a partial and distorted version. And accordingly when the statement is made (which I consider true as far as it goes) that the short sighted financial policy of Bombay Mills in not making enough provision during prosperous times for lean years weakened the resistance power of the cotton industry, I admit that the statement is not a complete exposition of the case. On the other hand, when it is put forward that the Managing Agency control is responsible for the deplorable conditions in industrial Bombay, this too is not a correct reading of the facts. It will be generally agreed, however, that conservative finance and absence of speculative habit amongst the executives would have provided the textile mills in Bombay with a strong bulwark against lean periods. And my point is that a healthy and sound control by Managing Agents does mean a policy of conservation of resources and steadiness of return to the investors.

Rao Sahib C. S. Shirahatti, Managing Director, Co-operative Cotton Sales Society, Limited, Hubli.

Written statement dated the 22nd August, 1932.

I have been conducting the Co-operative Cotton Sales Society for the last 15 years. The object of our Society is to popularise improved strains of cotton seeds evolved by the Agricultural Department for which we are subsidised by the Indian Central Cotton Committee.

Recently there is a movement afoot by the millowners pressing the Government of India to increase import duties on the Japanese piecegoods. It is a mystery how it is possible for the Japanese dealers to carry cotton from India to Japan, turn the same into piecegoods and import it to India and sell in India at a dirt cheap rate as compared to the prices ruling in India for the piecegoods turned out from cotton grown in India and manufactured also in India. The millowners are represented on the Cotton Controlling Board of the East India Cotton Association. Have they ever got an investigation made as to whether Japan is getting cotton cheap or special facilities in procuring Indian cotton?

There is no doubt absolute necessity for some kind of substantial protection from the Government, which may stop this heavy dumping of Japanese piecegoods in India which is at the cause of ruin of the Indian

Textile Industry and that of the Industry of Agricultural in point of cotton production. Government also are keen to help to a certain extent in surmounting this difficulty which is also telling upon Government revenues in several ways. On the other hand Japan has threatened the boycott of Indian cotton if there is any further increase of duties by Government on the Japanese imports. In my opinion this is a mere bluff because Japan can't do without Indian cotton and secondly the control and facilities that Japan has on the Indian cotton market will not be available to them in any other cotton growing country.

The Indian mills no doubt require badly some kind of redress. There is no remedy but to increase the import duties on Japanese piecegoods but the mills should be compelled to put their house in order in this respect. I am of opinion that they should be asked not to think of importing American Cotton as these imports have reduced the income of Agriculturists as their cotton does not fetch adequate prices. The cultivators are the greatest patrons for the purchase of Indian mill made piecegoods but they are so much handicapped by the import of American Cottons that they have nothing left with them as surplus to think of buying the Indian mill made cloth.

India grows about 50 to 60 lacs bales of cotton of which one-third may be safely taken as staple cotton capable of spinning 20 to 30 weft as well as warp. This one-third growth of long staple cotton is not allowed to be preserved by the mills themselves who openly encourage malpractices of middlemen who are dealers in cotton. Severe measures are required to be taken by the Government to see to this mischief. If long staple is not allowed to be mixed with short staple cotton there will be no necessity for going in for American cotton. In the year when there is a crop deficit in India, in my opinion if this long staple growth is preserved, it is quite sufficient for serving the purposes of American cottons which are used for 20 to 30 counts. Long staple cotton should have its prices fixed which should always be high on its intrinsic value from 25 to 50 per cent. in comparison with short staple cotton. If short staple cotton is sold at Rs. 200 per candy long staple price should be fixed at Rs. 250 to 300 according to the qualities and spinning merits.

To meet with the boycott of our cotton by the Japanese the Indian mills should think it their bounden duty to consume all short staple cotton only in India without depending upon any other foreign source for its consumption.

I may emphatically impress upon this Board as well as on the mill-owners in India that whatever steps will be taken by them to remedy the evils brought upon them by foreign competitors in the form of import duty will be found to do good to them for some time only. The everlasting good will be done to both of them if they care to see that the lot of the cultivators is improved wholesale and their power of purchase is increased. At present he is impoverished more and more and this is a sure sign of ruin to the mills as well as to the Government.

I submit the following points for the serious consideration of the Board:—

1. We know that 90 per cent. of the Indian population is used to rough clothes, while 10 per cent. is used to finer clothes. Under these circumstances, would it not be a sin on the part of the mill owners to order fine machinery to produce fine cloth, making this an excuse for ordering American cotton. This clearly proves that the aim of these millowners is only their profits and not the well being and prosperity of India and its most valuable asset, namely the Indian cotton. If Swadeshi was their real cult they should have spent their energies and money in improving and consuming only the Indian grown cotton and supply to the fullest extent the requirement of the poorest Indian Cultivators.

2. The Indian millowners from Bombay and Ahmedabad have imported about four lacs of American cotton. The local production of the Presidency is about 9 to 10 lacs of bales. Due to this importation the local cotton could not find any buyers in the market and thus its prices were reduced

which meant great loss to cultivators. I propose therefore that the importers of American cotton in future should be levied an excise duty of 75 per cent. and the money thus realised should be distributed among the local cotton growers as bonus.

3. The millowners of Ahmedabad and Bombay, have, I am sorry to say, been producing cotton fabrics out of foreign cotton and palming them off as Swadeshi goods by taking undue advantage of the ignorance of the Indian consumers, *viz.*, cultivators.

4. Lastly, I implore that it is the paramount duty of the Government and that of the millowners that the industry of Agriculturo specially in connection with the production of raw cotton, should not be lost sight of, when trying to protect the textile industry.

Mr. A. Sattar Faruqui, Kamptee.

Letter dated the 24th July, 1932.

I beg leave to lay before you the following few lines relating to the decline of the textile industry.

Before dealing with the subject in hand, I take this opportunity to thank on behalf of my weaving community the Government of India which has decided to adopt such measures which will check the further decline of this long standing industry.

It is a fact that since the advent of the 18th century, the industry of textile has begun to decline and it has now reached to its lowest pitch. Hundreds of millions of weavers dependent on textile industry have now been compelled to give up this work and to take up other mean profession for the sake of maintenance and the rest who still stick to it are actually starving. I venture to say that if the present deplorable state of affairs is allowed to continue for some time, these remaining men will have to chuck this and prefer remaining unemployed. One shudders to imagine what will be the effect of such a mass unemployment—anarchy, brutality and what not.

If the weavers are protected from the menace of the Indian mills in general and Sholapur mills in particular which now produce the same kinds of cloth which were so far left for the weavers, it will improve the financial condition of the weavers to certain extent.

Since I am the resident of Central Provinces I have replied the questionnaire from point of view of this province. Should you decide to examine me in person, I am prepared to give evidence in person also.

Replies to the Questionnaire.

1. In this province Koshtis, Momins, Salewar, Dhangar, and some Mahars do the weaving work whose population might be much greater from the census report than 8 lakhs but this number is entirely dependent upon this industry and the number of looms is over 20 millions. Due to the decreased consumption 160 millions yards of cloth are daily produced and if the demand increases the daily production will be double of this quantity.

2. The following kinds of cloth are prepared on handlooms:—(*a*) Sarees of cotton and silk, (*b*) Silk and cotton dhoties, (*c*) Silk and cotton khan ghari, (*d*) Handkerchiefs of half yard and 2½ yards of cotton and silk, (*e*) Turbans of cotton, (*f*) Sonso, (*g*) Sutara and (*h*) Khadi. Their consumption in comparison to those of mills is:—(*a*) and (*c*) 1/10, (*b*), (*d*) and (*f*) 1/30; (*e*) and (*g*) 1/50, (*h*) about 1/8.

3. Production price of one yard of cotton sarees As. 3 of sonsi As. 2-6, Khan ghari ordinary As. 3 silk saree As. 4-6.

4. Mostly sarees of different kinds are prepared on hand looms and they are used by peasants of all classes who form the bulk of the Indian population, I am so giving below the market rates of saries only from which the price of other kinds of hand woven cloth can also be guessed.

In 1929, the average selling price of ordinary saree was Rs. 3-8, in 1930 Rs. 3-4 and in 1931 Rs. 2-8. The present selling price of sarees is Rs. 2 while the cost price of the same is Re. 1-12. The sarees of Sholapur mills are sold for Re. 1-12 in retail. If there is some demand of handloom saries it is only due to its durability, otherwise there would have been no demand for them in view of the low price of saries of mills. Yarns of mills are used by the weavers.

5 & 6. Hand spun yarns are used only for khadi and sutara, for the rest, yarns of Indian mills and Japan mills are used. Yarns Nos. 16 and 24 of Indian mills and also No. 30 to some extent and Nos. 24 and 32 of Japan mills are consumed. A levy of a good heavy tax on Japan yarns and on foreign cloth will check the import of these in this country which will give a good chance to Indian mills for producing more yarns and cloths. The Indian mills in view of this increased consumption should be prohibited from producing saries of the pattern that are prepared on handlooms. This measure will no doubt revive the handloom textile industry and put a stop to the growing unemployment of the weavers.

Shaikh Abdul Aziz, Dhulia.

Letter dated 25th July, 1932.

In compliance with the Press Communiqué dated 11th April, 1932, inviting the representations from the firms and other persons interested in the protection of handloom industry, I beg to submit the following few points for your kind consideration and guidance to the enqniry in hand.

At the outset, I beg to be excused for being late in sending the replies to the questionnaire on account of unavoidable difficulties.

Instead of answering all the seven points separately I will give quotations from reports which will be useful and satisfy more than one point.

It is acknowledged on all hands that on account of mill competition the handloom industry is very hard hit. The protective tariff stopped the import of cheap yarn from foreign countries while the local mills raised the prices of their yarn and lowered those of the finished product. The weavers being unable to get their just adequate return for their work from their industry are leaving it and finding no other work to live upon, the unemployment and discontent is increasing day by day. This industry being the very important cottage industry in this Presidency some very urgent measure is necessary to stop this industry from dying out completely. In the end I beg to suggest that—

(a) the protective duty should continue on this condition that the mills should not manufacture such articles as are manufactured by the handloom weavers in Bombay Presidency or

(b) rate of tariff duty should be lowered or

(c) the cloth below 40 counts manufactured in the mills as well as imported to compete with handlooms should be taxed.

Coming from weavers' class I know their hardship to some extent, I am willing to give evidence if called for.

N.B.—I know fully that I have not answered all the points and the information supplied is not to the mark. But I hope to throw some more light on those points if opportunity is given to me by calling me to give evidence.

Enclosures.

Extracts from Annual Report, 1930-31, Department of Industries, Bombay Presidency.

So far as this Presidency is concerned, hand weaving industry is its most important single cottage industry. There are something like 990 centres where this industry is carried on and it is estimated that there are some 100,000 handlooms in this Presidency. A rough estimate would place the value of production of cloth by handlooms in this Presidency at some 4·5 crores of rupees. . . . . If anything like a majority of weavers were to be persuaded to adopt fly shuttle looms (or an improved machine) value of production would increase by more than a crore of rupees per annum. Apart, therefore, from the point of view of helping a very poor class of industrial worker—the weaver—the expenditure incurred on this section of the work of the Department can be more than justified by the larger interest of the country which will be served by the increased capacity of the industry to meet the local specialised demand.

Extract from Annual Report, 1929-30, Department of Industries, Bombay Presidency.

COTTAGE INDUSTRIES—INVESTIGATIONS—HAND WEAVING.

32. The import duty of 5 per cent. *ad valorem* on yarn was altered in 1927 to 5 per cent. *ad valorem* or $1\frac{1}{2}$ annas per lb. whichever was higher. For the coarse and medium counts used by the handloom weavers this meant an increase in the duty up to about 12 per cent. *ad valorem*, the exact percentage depending on the counts of yarn used. At the request of Government an inquiry was made to see the effect of this increase in duty on handloom weavers. Investigations were carried out at the following places:—

Northern Division.—Broach, Surat and Chikhli.

Central Division.—Sholapur, Parola, Dharangaon, Chandor and Kharda.

Southern Division.—Hubli, Gajendragad and Belgaon.

Sind.—Hala and Tatta.

It was found that wages of weavers had gone down practically everywhere.

In centres like Belgaum, Gajendragad, Hubli and Tatta where cloths are produced which do not come in competition with mill produced cloths, while there has been in many cases a slight fall in the prices of cloths, the wages of weavers has remained practically unaltered. This applies to Surat also in the case of Muga saris and similar other cloths usually not made by mills.

In Sholapur, where hand weaving industry is organised on factory basis, although there is mill competition, yet because of the fairly good organisation of the handloom industry which has secured to it good selling facilities, the prices of hand made cloth have not declined to the same extent as in the centres mentioned below. Here the wages have also gone down, the reduction being from about 5 to 10 per cent. It may be noted that the wages dropped in 1928 and again in 1929. There can be little doubt that this is largely due to the mill competition and trade slump. The former has, no doubt, been made keener by the advantages enjoyed by mills in the form of increased duty on yarn.

In centres like Dharangaon, Parola, Kharda and Chikhli, weavers are suffering badly from the effect of mills coming in direct competition with them by sending to these centres mill made saris for sale. In these towns the handloom industry is not organised and the marketing facilities are poor. And on the top of it all there was during the year trade depression. The prices of handmade cloths have, therefore, in many cases gone down considerably. And the wages of the weavers have gone down by something

like 40 per cent. below what they were in 1927. Here also the wages came down in 1928 and again in 1929. This is largely due to the mills making and selling in these areas same type of saris and general trade depression.

Actually the weaver's wages per sari of 8 yards of 20s. counts in the case of Parola went down from Re. 1-12 in 1927 to Re. 1 at the end of 1929, in the same period in the case of Dharangaon for 32s. counts they went down from Re. 1 to As. 10 and in the case of Kharda for 20s. counts they went down from Re. 1-8 in 1927 to As. 10 at the end of 1929.

In Broach and Chikhli saris are 5 yards in length and the yarns used are 20s. and 32s. counts. The wages per sari in Broach went down in the former case from 14 annas to 6 annas and in the latter case from Re. 1-2 to As. 13 in the years 1927 and 1929 respectively. In Chikhli in the same period wages per sari of 20s. counts went down from As. 11-4 to As. 6-8 and for 32s counts from Re. 1-5-4 to As. 13-4.

The weaver takes on the average $1\frac{1}{2}$ days per sari of 8 yards of 20s counts and 32s counts and 1 day per sari of 5 yards of 20s counts and 32s counts. These figures relate to work on fly shuttle looms.

33. The importance of the handloom industry in the national economy may be gauged from the following figures of production of cloth on handlooms:—

Years.	Million yards.
1896-97	784
1905-06	1,084
1914-15	1,184
1924-25	1,256
1927-28	1,291

In 1927-28 the production on handlooms was about 26 per cent. of the total cloth consumed in India.

It will be noted that the production on handlooms has steadily increased which is on account of swadeshi movement. As regards Bombay Presidency, accurate figures are not available. But it is estimated that there are no less than about 8,000,000 people belonging to both the Hindu and Muhammadan communities in this Presidency who depend wholly or largely on handloom weaving and allied industries for subsistence.

Extracts from Annual Report, 1930-31, Department of Industries, Bombay Presidency.

Investigation into the condition of Hand weavers.

65. The investigation in connection with Hand Weaving Industry detailed on pages 29-32 of last year's report was carried out further in the following centres:—

Northern Division.—Surat, Broach and Chikhli.

Central Division.—Sholapur, Parola and Dharangaon, Dhulia, Chandor, Satana, Malegaon, Kharda and Bhingar.

Southern Division.—Dharwar, Hubli, Belgaum, Gajendragad and Lakkundi.

Sind.—Hala, Nasarpur, Lahori and Lakhi.

Last year it was mentioned that owing to severe mill competition and trade depression the wages of weavers had gone down in almost all the weaving centres. This year it was found that the wages of weavers had registered a further drop practically everywhere. There was a drop in wages of handloom weavers in 1928 and again in 1929. The wages decreased by 16 to 50 per cent. in 1930 as compared to the wages earned in 1927. Even the reduced wages could not be earned regularly and continuously because the merchants dealing in hand made articles were not placing orders as

in normal years. This state of things may be ascribed to the fact that the agriculturist who is the hand weaver's best customer was not buying as he did in normal years owing to the fall in commodity prices. *The previous reductions in wages were chiefly ascribed to mill competition. The 1930 drop is also no doubt partly due to the continued severe competition from the mills, but the crippled purchasing power of the agriculturist is its chief cause.*

Counts of yarn used, cloth produced and the number of handlooms at the 40 important weaving centres in the Bombay Presidency.

Name of weaving centre.	No. of throw shuttle looms.	No. of fly shuttle looms.	Counts of yarn used.	Kind of cloth produced.	Daily production in value.
					Rs.
1. Sangamner	800	1,200	20s, 30s, 32s and 40s	Cotton silk bordered saris	6,000
2. Bhingar	700	200	30s, 32s and 40s	Saris with small silk borders.	4,000
3. Pathardi	500	150	20s and 32s	Cotton and silk bordered saris.	2,800
4. Yeola	2,800	200	40s and 60s	Pitambars, Khans silk saris interwoven with gold and silver thread.	10,000
5. Nagda	400	2	20s, 30s, 32s and 40s	Silk bordered saris	700
6. Malegaon	200	3,800	14s, 16s, 20s and 30s	Cotton bodered and mercerised yarn bordered saris.	10,000
7. Dhulia	100	1,500	14s, 16s, 20s and 24s	Cotton bordered saris	1,800
8. Nasirabad	550	150	10s, 30s, 32s and 40s	Cotton and silk bordered saris.	1,500
9. Erandol	500	45	20s, 30s and 40s	Ditto	1,000
10. Dharangaon	2,000	200	30s, 32s and 40s	Ditto	2,500
11. Parola	1,200	500	20s and 40s	Ditto	2,400
12. Surat	1,800	200	40s, 60s and 80s, 64s and 84s mercerised yarn.	Kinkhawb, silk shirting coatings, silk saris, lungis, pitambars.	15,000
13. Broach	430	10	10s and 20s	Cotton bordered saris and sujnis.	1,000
14. Nadiad	45	25	10s, 20s and 64s mercerised yarn.	Khadi, lungis, dhotis, towels, silk coatings and shirtings.	200
15. Ahmedabad	750	10	40s, 60s and 80s	Kinkhawbs, fine silk cloth interwoven with gold thread saris (silk) and pitambars.	3,500
16. Dholka	700	10	60s, 80s and 100s	Silk bordered and pure silk saris.	7,500
17. Bulsar	300	18	2s, 6s, 10s and 20s	Khadi, sail cloth and cotton saris.	800
18. Karkamb	50	450	20s, 32s and 40s	Khadi and cotton bordered saris.	800
19. Sholapur	200	6,000	20s. 30s, 32s, 40s and 64s mercerised yarn	Khadi, cotton and silk bordered saris.	10,000
20. Valsang	50	600	10s, 20s, 32s and 42s	Ditto	2,000
21. Bagalkot	300	50	30s, 32s, 40s and 64 mercerised yarn.	Khans, saris fine dhotis	2,500

Name of weaving centre.	No. of throw shuttle looms.	No. of fly shuttle looms.	Counts of yarn used.	Kind of cloth produced.	Daily production in value.
					Rs.
22. Kamatgi .	100	700	20s, 32s, 40s and 64s mercerised yarn.	Cotton and mercerised bordered khans.	5,000
23. Ilkal . .	3,000	25	60s and 80s . .	Silk saris with elaborate designs.	1,700
24. Guledgudd .	2,000	1,500	30s, 32s and 40s .	Cotton and silk khans and phetas.	10,000
25. Kerur . .	600	500	Ditto . .	Ditto . . .	1,500
26. Gadag .	3,200	50	20s, 32s, 40s, 60s and 64s mercerised yarn	Silk bordered saris pure silk saris and khans.	1,250
27. Gajendragad	2,000	50	20s, 30s, 32s, 40s and 60s.	Silk bordered saris and khans.	1,500
28. Hebsur .	250	12	2s, 4s, 6s, 8s, 10s, 20s and 30s.	Gudars, coarse dhotis and durries.	500
29. Ranibennur	2,000	60	20s, 30s, 32s, 64s mercerised yarn.	Khans and cotton bordered saris.	1,250
30. Hubli . .	3,500	12	20s, 30s, 40s, 60s and 64s, 84s, mercerised yarn.	Khans, pure silk, saris and dhotis scarfs and pitambars.	2,000
31. Belgaum .	250	25	20s, 32s, 40s and 60s	Saris, khans and dhotis. .	800
32. Bailhongal .	400	6	20s and 30s . .	Dhotis, cotton and silk bordered saris.	800
33. Pachhapur .	200	8	20s and 30s . .	Plain cotton bordered saris and dhotis.	500
34. Gokak .	700	25	16s, 20s and 30s .	Cotton and silk figures saris.	1,000
35. Kankavli .	75	50	16s, 20s and 40s .	Cotton and silk bordered saris.	300
36. Kharepatan	30	5	20s to 32s . .	Ditto . . .	75
37. Mhaswad .	160	40	6s, 10s, 20s and 40s .	Khadi, cotton bordered saris and woollen blankets.	375
38. Wai . .	65	2	30s, 40s, and 60s .	Cotton and silk bordered saris.	300
39. Bhiwandi .	300	1,700	20s, 40s, 64s and 84s mercerised yarn.	Cotton and silk bordered saris and khans.	5,000
40. Poona .	500	300	6s, 20s, 40s and 64s and 84s mercerised yarn.	Khadi, durries shalus-khans, saris, kinkhawb and woollen blankets.	5,000

Messrs. Yoosuf Alimohammed, Bombay.

Letter dated the 15th July, 1932.

As directed in your letter No. 228, dated the 13th June, 1932, we have the pleasure in enclosing herewith our replies to the questionnaire with six spare copies thereof for the information of the Tariff Board.

Before entering the subject Mr. Ahmed Alimohammed requests to allow him to introduce himself in brief. Mr. Ahmed Alimohammed is a Joint Proprietor of the Firm of Messrs. Yoosuf Alimohammed situated at the above address dealing in wholesale and retail piecegoods of all kinds and make, *viz.*, English, Japanese, other Foreign Countries and local. Mr. Ahmed is a founder of the Memon Moholla Piecegoods Association and is the present

Honorary Secretary. He is also a Member of the Peace Committee of the City of Bombay for "B" Ward and has rendered considerable efforts in restoring the lost confidence of the Hindu Merchants in their business.

Replies to the Questionnaire.

9 (i) There are 2,197,872 handlooms in India out of which about 100,000 are in Bombay Presidency, which engage about 800,000 people, according to which there should be about 17,200,000 people working on handlooms in India. Of all the cloth consumed in India including foreign, one-third is the production of the handlooms, one-third manufactured by local mills and one-third imported from foreign countries. Besides the handloom products being consumed in India, the re-products such as Indian Hand printed and dyed handspun goods are exported to Arabia, Africa and Siam, which goes to prove that the handloom weaver should be given every help possible for the encouragement of export rather than to give protection to the mill industry.

(ii) So far, there has been no cry raised by the handloom industry itself that they are affected in any way by the imports of Japanese cloth. I cannot understand why it should be raised by the mills. Are not the mills directly competing with the handloom products?

(v) The major production of cloth of handloom weavers is of yarns 40s to 80s. These counts of yarn of good quality from which good cloth can be woven are mostly imported from England and Japan. Hence, my point is to ask for the abolition of duties on imported yarns.

(vi) Protective duty on cotton yarn hampers the handloom industry, while the duty on piecegoods is not so helpful as supposed to be, because, the yarn is necessarily required for handloom industry, the cheaper the cost the more helpful to the producer of handwoven cloth. But the product has a particular group of customers, who give absolute choice to the handwoven cloth.

(vii) If the present duty on imported cotton and artificial yarns be abolished or even lowered it would be of a direct advantage to the handloom weavers who would be able thereby to produce their articles more cheaply and surely increase their sales since giving more and more employment to the people of India in the cottage industry.

11. Cotton is an international commodity of free movement among countries and price is determined by the economical principle of Demand and Supply. An increase or decrease of demand in a certain part of the globe will hardly result in visible effect on the price of cotton. On this reason a decline in the ouptut in the Indian Mills in general will very little affect adversely the Indian cotton cultivators. It is a wellknown fact that the cotton prices are chiefly determined by the American cotton position. India produces more cotton than her requirement and in normal crop more than half is exported to various countries, among which Japan is the biggest customer. In any commercial commodity when there is surplus of supply in a certain country and there are ready buyers from outside, the commodity will fetch a fair price on the world market. But, if the outside demand is suspended by a certain reason or another, the price of the commodity will be depressed losing the balance price of the world market. The outside customers particularly and chiefly Japan are the guardians of the price of the Indian Cotton. In other words, Japan is in a position to protect the interests of the Indian Cotton cultivators, guaranteeing always a fair price to their products of labour.

One thing to be added in this connection is about the question put in N.B. of this question that "Does the Indian cultivator normally realise a lower net price for cotton exported than for cotton sold in India?" A positive reply to this question cannot even be supposed to be possible. Cotton is sold on open market in India like in other countries. When a

commodity is sold on open market, *viz.*, in free competition, how can a buyer buy it simply on the reason that it is for export, for which no bounty or the kind is given.

(*b*) In recent years the agricultural departments and the Indian Central Cotton Committee are paying much attention and labouring practically to increase the cultivation of long staple cottons. But the increase of the same is so far meagre, while the mills demand for staple cotton is rapidly enhancing. As tho Statistics show Indian Mill consumption of Indian Cotton is almost stationary for the last some years in spite of producing more yarns and piece-goods by the increase imported foreign cotton of long staple. India is much short of the self supply of long staple cotton. This fact is more than enough as encouragement for the growth of long staple cotton. On this reason decline to some extent in the output of Indian mills will hardly affect the growth of the cotton under discussion.

12. The quantity of imported foreign cotton as well as the percentage of cotton from different countries, widely differ by the year. Therefore, it is difficult to give a reply in general to this question. But, roughly speaking, you may consider that tho major portion of cotton imported from America is nearly tho samo quality as Indian staple cotton. In this view-point you can easily find out the extent to which the imported cotton is the same quality as Indian long staple cotton. For the current season, 1931-1932 the total import of foreign cotton is roughly estimated to be something near 600,000 bales, out of which 300,000 is of American cotton. The material help to Indian cultivators by the present Import Duty on the raw cotton has been visualized by the high prices paid to the Indian long staple cotton. For example, I will take the prices of Punjab American in support of this statement. From the earlier part of the last cotton season, Punjab American quoted about Rs. 40-45 on Sutta Broach April/May from which it used to be ranging Rs. 2-3 to Rs. 19 on during the last five years. The benefiters are chiefly the cultivators of the Indian staple cotton, total yield of which is utmost 2 annas in a rupee. I admit that when the Indian long staple cotton is sold at good price, being influenced by it, the other cotton will also be sold with better prices. But this will be correct should India have short supply of cotton by herself. But the fact is to the contrary. So far as she is in a position to seek buyers outside for the surplus of her cotton she would not be able to maintain the whole benefit obtained by the levy of the Import Duty on raw cotton.

The excess of supply will eventually cause overstock in India and will ultimately lower down the whole price regardless of the duty on imported raw cotton. I agree with the opinion that the import duty on raw cotton will benefit the Indian cultivators, but I doubt it is to be such an extent as the public estimate.

39. I stand against the continuation of the protective duties for the following reasons:—

The conditions of the Indian mills widely vary from almost ruined to ever flourishing even under such a bad time like the present by artificial and geographical conditions. Generally speaking Bombay mills are in the worst plight in India and they have been clamouring for protection since 1926. Such not being tho case with other mills naturally with the levy of additional duty they shall be drawing an enormous and unreasonable profit.

Further trying to levy an additional burden to the existing duties would in fact mean a great hardship to the very poor Indian ryots, who find Japanese products fully equal to their requirements and also to their purse. I cannot understand how the local industry with raw material at its doors, cheap labour and without the burden of any duties whatsoever cannot be able to meet Japanese comptition without raising a yell from time to timo for further more and more protection. As reported by Mr. Hardy in his Report of 1929, the Mill Industry of India must set its own house in order first. Reports are there by some of the mills referring to the various inaccuracies of the managements of the mills.

Before the mills therefore should get any further protection all efforts must be made to reduce all unnecessary charges, especially by the Bombay mills so as to fall in line with various up-country mills, who appear to be still doing well inspite of the foreign competition.

In case the Board comes to a conclusion that further protection is necessary, then they should be prohibited from raising the prices unjustifiably, as instances are there, when in 1914-18 the mills continued to advance prices to such a climax that the Government had to take steps to fix maximum rates. During the last Sino-Japanese trouble a few months ago when imports from China 40s were at a stop the mills here immediately raised their prices from As. 11-9 to As. 14-6 per lb. instead of increasing sales of their goods at low limits. Similarly, during boycott of Japanese and Chinese Yarns 42/2, the mills again had put up their prices by four annas a pound whereas the usual price was one anna per pound lower than Chinese and Japanese. In short mentality of the millowners here appear to be inclined more to profiteering than serving the Nation, as otherwise internal competition would have been stopped and some scheme would have been put through whereby distribution of various qualities could have been assigned to groups of mills for their own benefit.

In my opinion there should not be any increase in the existing duties. On the contrary, adjustment of present duties be made on such a line that all imported goods would pay the same rate of duty irrespective of Imperial preference.

Japan's artificial silk and Taffetas really deserve the support of all as they are upto the Indian requirement with price suitable to all. It is the blessing to the poor ryot of India and any additional duty on the same would be a burden on the poor. In respect of cotton goods too, had it not been for the heavy imports from Japan at cheaper prices, mills would have increased their prices and the poor ryots would have to pay more for the faults of the millowners. Why should then 35 millions of Indian ryot be made to pay more to benefit a few millowners who find themselves unable to manufacture goods, which a foreign nation can import at considerable cheap prices. Moreover, millowners had given an undertaking to the Indian National Congress not to use artificial silk yarn in their manufactures. Why should then they cry out for the imports of cloths of such silks. Further Japan's imports into India are less than her exports to Japan. So, what about the retaliatory action by Japan if difficulties are placed in her way to free trade?

In conclusion let us view a few silent facts:—

The mill cloths produced in India, leaving aside the course grey qualities are by no means within the reach of the millions of the poor ryots. Whereas the foreign countries are in a position to supply to these people the cloth which attractive in all respects, and yet within the buying capacity of the poor.

Another thing let us not forget. That the hundreds of thousands of Indians who make their living on the sale of foreign goods would by the falling of their sales not in any way help to the uplift of the general atmosphere of depression at present prevailing in India and the worldover.

Let the Indian Manufacturer exert himself independently and honestly in trying to improve the grade of his production by increasing the efficiency, studying modern methods of manufacture, etc., asking fat capitalists to establish textile technological institutes, governed by experts brought from foreign countries if necessary, rather than constantly raising the cry for protection, which practically does not in any way stimulate the mills to do any better work, but on the other hand tempt them to lie idle in the confident hope of receiving further protection from time to time on the false plea of encouraging Swadeshism. The policy of our millowners ever since the inception of the industry is one of defeatism.

M. Jaboo-Wal, Amritsar (Punjab).

Letter without date.

In the province of the Punjab, the profession of weaving is generally followed by Muslim weavers. They are poor, helpless and uneducated. Since they follow the old method of weaving they have to spend much energy and time and thus they have to face failure in comparison with mill made products. The people of India prefer Japanese and English cloth because they get these at a cheaper rate.

In this province the cloth is prepared in three ways. Firstly through machines in the mills. Secondly, through Japanese handlooms and thirdly through pit-looms. The first and second are not much used. The third which is the oldest and the slowest in production is worked by lacs of people. But it is now disappearing by hundreds on account of the keen competition by mills.

For remedying the present misfortune suffered by the handloom industry the following suggestions are submitted for consideration and recommendation to the Government:—

1. In the Punjab the handloom weavers generally live in the villages. They always receive their wages in cash for any work they do for the landowners and other members of the public. The connection that they have with the Zamindars is businesslike. According to the Land Transfer Act of the Punjab 1901, a weaver cannot purchase land. They cannot be considered to be the masters of the houses or quarters in which they live for years together. And thus they have unnecessarily to remain subordinate to the Zamindar class of people. When the weaver spreads his warp about 40 or 50 yards in the open ground, the Zamindar oppresses him by letting his (Zamindar's) animals loose and thus make them free to break the warp spread over there. Neither the Government of India has given any rights to the weavers to advance of the common land for the purpose of spreading his warp, etc., nor they can purchase land on account of the restriction imposed upon them by the Land Transfer Act of the Punjab of 1901. Hence the Tariff Board will be kind enough to recommend to the Government that a portion of the common land be allowed to be used by the weavers in connection with their industry or the weavers may be allowed to purchase land at the rate of 2 Kinals per head.

2. The Savkars of the Punjab also have got the weavers in their clutches. Hence to get rid of these, the Government may please be recommended to open a few industrial banks in various parts of the Punjab so that the weavers may be able to take necessary loans at a very nominal rate of interest. Co-operative banks in the Punjab are not so popular.

3. A final decision should be made by the Government. Of course in consultation with the leaders of the community from all over India, as to which method of weaving should be adopted. Weaving on power looms or handlooms. If it is decided that we should not fail to take advantage of the wonders of science and inventions by replacing old methods with new ones, *i.e.*, by starting mills and thus helping capitalism, then it is very very obligatory on those who think of power looms to find out some ways and means for the lacs and lacs of poor helpless but self-respecting and independent weavers who earn their livelihood in an honourable way.

To achieve these objects it is very necessary that the Land Transfer Act of 1901 of the Punjab should be so amended as to allow those weavers who have been forced to close their work on account of very keen competition from mills to adopt Zamindari by purchasing land for cultivation, etc. Thus there would remain only those amongst the weavers who may be able to carry on the handloom industry efficiently. If it is argued that the class of the Zamindar would thus become very unwieldy, we may say that only those Zamindars be asked to sell their lands who hold more than ten acres. Thus not only equality would prevail amongst this class of people but those

deserted lands of big Zamindars which were not cultivated for years together will receive better attention at the hands of the petty and new Zamindars.

4. In this province, the weavers are looked down upon and the profession of weaving is so much hated as if it were one of the gravest sin. It is a fact that the handloom industry has become much worst and consequently the person following this profession have become poorer and more helpless. Had the weavors earned sufficiently to live a decent life and had enough facilities for the education of their children, the same society which are hating us now, would have had every regard for us. Amongst the necessities of life, only two things are very important—one is food and the other is clothes. In India enough cultivation is done but for clothing, India produces very little cloth. Hence this industry of weaving and particularly the one of handloom deserves the greatest attention of the authorities not only from this point of view but also from the point of view of the present unemployment and consequent starvation. In order that this profession and the person following it may not be hated and looked down upon, your Board would do well to make very strong recommendation to the Government to confer medals, certificates of proficiency and titles upon those who possess high efficiency and abilities in this line in recognition of their merits. Thus, people in general will begin to respect it and the lots of the weavers would improve.

5. The present course of studies is very far from being satisfactory. A B.A. or an M.A. of to-day cannot do any other work which may help him in passing his days of life in an honourable way, if he fails to find the post of a clerk in an Office for which alone he is qualified.

Hence nowadays the University produces nothing but clerks and the existing Government Industrial Schools are not so attractive. India now needs special institutions in which experts of weaving may be engaged to impart instructions—theoretical and practical. Every provincial Government should open a standard weaving institute in which all the methods of weaving be taught to the most promising and deserving youths of the country in order that the most despised weavers of to-day may shine out by making the weaving industry of this country takes its place in the rank of the international trade and bettering the financial position of the country.

6. A weaver of the Punjab generally uses the Indian made yarn but has found it rather inadequate as far as its quality, kind and the price are concerned. Hence whenever foreign yarn is made dearer by imposition of further duties, it becomes very difficult for him to manage. When the yarn becomes dearer he is forced to raise the price of his product too and thus he loses his customers who go for cheaper articles. Hence Board would do well to recommend the abolition or the reduction of the import duty on foreign yarn, and imposition of much heavier duties on foreign products. By abolition or reduction of duty on foreign yarn a few mills will be affected but in comparison with such few Indian mills crores of poor Indians will be benefited and the indigenous industry would be encouraged. By levying an enhanced duty on foreign products the millowners, the handloom weavers and the Government will be benefited and by allowing the import duty on foreign yarn to remain as it is or by enhancing it further the weavers would be very seriously affected although the Government and the millowners will be benefited. But in the interest of the indigenous industry and starving masses of India it is but necesary to allow the foreign yarn to remain as cheap as possible. And when once the indigenous industry is established and respected the Government may levy the duty if she pleases to do so. The Government and the spinning mills should better be advised to forego a part of their income if crores of starving Indians are benefited by the withdrawal of duty on foreign yarns.

Letter No. 315, dated the 15th July, 1932, from the Secretary, Tariff Board, to the Agents, East Indian and North Western Railways.

I am directed to say that the Tariff Board would be grateful if you would supply information regarding the freight on cotton piecegoods from Calcutta

and Karachi to the following stations:—(*a*) Delhi, (*b*) Amritsar, (*c*) Cawnpore, (*d*) Lucknow.

2. Your reply to this letter together with six spare copies may kindly be sent as early as possible.

East Indian Railway, Calcutta.

Letter No. T. B2/30/B. C., dated the 23rd/26th July, 1932.

Re rate for piecegoods.

Your letter No. 315 of 15th July, 1932.

I beg to enclose a statement showing rates for piecegoods from Howrah to the different stations mentioned in your letter quoted above.

Six spare copies of the statement are also sent herewith as requested.

Rates per maund.

From Howrah.

Station to	Piecegoods, cotton, woollen or arificial silk in bales, press-packed and bound with iron bands or packed in boxes or cases. P. 19. Or.	Piecegoods, cotton, woollen or arificial silk in bales, press-packed and bound with iron bands or packed in boxes or cases. P. 19. Rr.	Piecegoods, cotton, woollen or artificial silk not Press-packed or not packed in boxes or cases. P. 19. Or.	Piecegoods, cotton, woollen or artificial silk not Press-packed or not packed in boxes or cases. P. 19. Rr.
	Rs. A. P.	Rs. A. P.	Rs. A. P.	Rs. A. P.
Delhi	2 9 3	3 6 11	3 6 11	4 4 7
Cawnpore Central Goods Shed . .	2 1 3	2 12 4	2 12 4	3 7 4
Lucknow .	2 0 6	2 11 3	2 11 3	3 6 1
	Viâ Saharanpur.	*Viâ* Saharanpur.	*Viâ* Saharanpur.	*Viâ* Saharanpur.
Amritsar .	E. I. 2 10 5	E. I. 3 8 9	E. I. 3 8 9	E. I. 4 7 0
	N. W. 0 10 10	N. W. 0 14 5	N. W. 0 14 5	N. W. 1 2 0
	3 5 3	4 7 2	4 7 2	5 9 0

North Western Railway.

Letter No. 2089-R., dated the 27th July, 1932.

I send herewith seven copies of a statement showing the rates asked for as desired. The rates quoted are those in force at present and are liable to alteration at any time at the option of the railway.

2. Some of the quotations include rates over foreign railways and are believed to be correct. A copy of the statement has been sent to each of the foreign railways concerned who have been asked to advise you direct whether their proportions are correct or what modifications, if any, are called for.

Statement showing the rates for piecegoods, cotton, in bales, press-packed and bound with iron bands or packed in boxes or cases from Karachi to the undermentioned stations.

Station to.	Route.	Conditions.	Rate per maunds.
Delhi .	..	At owner's risk under risk note Form B. or H.	2-9-3
Do. .	..	At railway risk.	3-6-11
Amritsar .	..	At owner's risk under risk note form B or H.	2-9-3
Do. .	..	At railway risk.	3-7-0
Cawnpore Collec-torgunge.	Hyderabad (Sind) and Kachaman Road.	At owner's risk under risk note form B or H.	*N.W. J. Ry. BB&CI Total.* 0-4-5 1-1-7 1-0-4 2-6-4
Do. .	Ditto . .	At railway risk.	0-5-8 1-6-8 1-5-1 3-1-5
Lucknow .	Hyderabad (Sind) Kuchaman Road and Cawnpore Central Goods Shed.	At owner's risk under risk note form B or H.	*N.W.* J. Ry. B.B. & C.I. 0-4-5 1-1-7 1-0-1 E. I. Total. 0-3-0 2-9-1.
Do. .	Ditto . .	At railway risk.	0-5-8 1-6-8 1-4-10 0-3-9 3-4-11.

The Director of Information and Labour Intelligence, Bombay.

Letter No. 182, dated the 30th April, 1932, from the Tariff Board.

With reference to the Tariff Board enquiry into the Indian Cotton Textile Industry, I am directed to ask if you will be good enough to supply the Board with full particulars regarding the progress made since 1926 in labour conditions in the Cotton Textile Industry. The points on which information is requested are those stated in paragraphs 59 to 71 of the Report of the Indian Tariff Board, 1927. It would help the Board greatly in the present enquiry if a *detailed* note on the subject could be prepared for their use.

2. I am also to ask whether you are in possession of information which will enable the Board to make a comparative estimate of labour conditions in the cotton industry in Bombay with conditions in other established industries in India. A great deal has been said in recent years in criticism of labour conditions in the cotton industry in Bombay. In estimating the value to be attached to these criticisms for the purpose of the present enquiry, it is essential to know how far such criticisms are of special application to the cotton industry in Bombay and how far they represent criticisms which are applicable to Indian industries generally. The Board realise that generalisations on a question of this nature are apt to be misleading, but they feel at the same time that it is important to give full consideration to such facts and figures as may help to throw light on the question, although they may not permit of definite conclusions being drawn.

3. It will be necessary for the Board to consider, in examining the claim of the Indian cotton industry to protection, whether countries which compete with India enjoy any advantages resulting from the prevalence of inferior labour conditions. The Indian Tariff (Cotton Yarn Amendment) Act, 1927, was based on the fact that labour conditions in the cotton textile industry in Japan were in some respects inferior to those in India, while the extension of that Act in 1930 was based on the prevalence of similar conditions in China from which considerable quantities of yarn are exported to India. The Board will be glad if you can supply them with information regarding the present position of these countries in respect of labour conditions in the cotton textile industry as compared with those in India.

4. Lastly, I am to request that you will kindly furnish the Board with particulars regarding the prevalence of strikes and industrial disputes in the cotton industry since 1926 and the steps which have been taken to meet them, in particular, the proposals made by Committees of Enquiry appointed in connection with this matter and the extent to which such proposals have been carried out and have been effective in settling or preventing disputes.

5. The Board would be glad if the reply to this letter, with six spare copies, could be sent as early as convenient, if possible not later than the 15th of June.

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(2) *Letter No. 1456, dated the 12th May, 1932, from the Director of Information and Labour Intelligence (Labour Office), Bombay.*

With reference to your letter No. 82, dated the 30th April, 1932, I have the honour to enclose herewith six copies each of three summary statements regarding (1) industrial disputes in the cotton mill industry in Bombay, Ahmedabad and Sholapur since 1926, (2) absenteeism amongst cotton mill workers in these three centres during the same period and (3) the details of night shift working in the Bombay and Ahmedabad cotton mills. Detailed information on these points will be found in the "Labour Gazette" which is published by this office every month.

2. Up to date information on the various points dealt with in paragraphs 59 to 71 of the Report of the Indian Tariff Board, 1927, is available in the Report of tho Royal Commission on Indian Labour and in tho Memorandum submitted by the Local Government to the Commission. As regards the statistics of wages in the cotton mill industry, I would refer you to the third Cotton Wage Census Report published by this office in 1930 which contains the latest information available on the subject. The Report on Deductions from Wages and Payments in respect of Fines published by this office in 1928 will also be found useful particularly with regard to the question of fines in the textile industry. The question of standardisation of wages has been discussed in the Report of the Strike Enquiry Committee, 1928, which also contains very useful information in regard to the textile labour conditions in Bombay. The Annual Reports of the Chief Inspector of Factories and a pamphlet on "Creches in Factories" issued by the Factory Inspection Department give information regarding the welfare work done by several factories. The Annual Reports of the Director of Industries for recent years contain information with regard to technical education.

3. Besides these, the Annual Reports of the Bombay and Ahmedabad Millowners' Associations, the Administration Report of the Bombay Municipal Commissioner for 1930-31, the Financial and Economic Annual of Japan, 1931, the United States of America Bulletin No. 558—Labour Conditions of Women and Children in Japan, a study of the "Industrial Conditions and Labour Legislation in Japan" by Iwao F. Ayusawa, published by the International Labour Office, "Labour Conditions in Japan" by S. Harada, and Arno S. Pearse's books on the Cotton Industry of Japan and China and on the Indian Cotton Industry, may also serve as useful books of reference in order to bring the information contained in the paragraphs referred to up-to-date.

4. I shall be glad to supply the Board with additional information if available, on any specific points that they might refer to this office.

Enclosure.

Statistics of Absenteeism in the Cotton Textile Industry.

Month.	1927.	1928.	1929.	1930.	1931.	1932.
			Bombay City.			
January	8·11	8·53	6·67	7·02	10·57	8·45
February	7·72	9·28	13·71	8·17	9·68	9·72
March	9·05	8·92	10·89	11·69	9·24	10·04
April	8·91	9·31	10·25	10·19	9·53	...
May	8·84	(Strike period.)	(Strike period.)	9·51	9·38	...
June	7·85			8·10	8·98	...
July	8·36			8·67	8·79	...
August	7·68			8·85	8·88	...
September	9·40			10·18	9·33	...
October	9·40		10·37	11·11	10·05	...
November	9·19	9·37	8·58	9·21	8·91	...
December	7·91	6·88	8·03	8·34	8·40	...
			Ahmedabad.			
January	1·85	3·72	3·65	2·70	4·01	3·70
February	1·68	3·86	3·45	3·03	4·30	3·54
March	1·83	4·53	3·76	3·83	4·76	3·86
April	2·47	4·63	3·92	3·22	4·39	...
May	2·18	4·62	4·15	3·53	4·63	...
June	2·23	3·81	3·48	3·03	3·97	...
July	2·99	3·49	3·45	3·03	3·84	...
August	2·56	3·66	3·32	2·94	4·32	...
September	4·20	3·68	3·45	3·34	4·40	...
October	5·00	3·86	3·59	4·66	4·19	...
November	5·13	3·88	3·24	4·90	3·83	...
December	4·30	3·84	2·93	4·11	3·77	...
			Sholapur.			
January	11·72	13·84	15·79	13·27	15·89	15·24
February	13·23	14·66	14·80	13·79	16·38	15·82
March	12·91	14·93	15·34	17·65	18·39	16·29
April	14·73	12·67	16·30	16·99	17·66	...
May	15·53	13·53	14·76	(Strike)	18·91	...
June	13·74	10·44	18·89	16·72	15·12	...
July	12·58	(Strike)	13·70	13·29	13·61	...
August	12·39	14·37	13·55	14·56	20·69	...
September	12·07	15·88	13·24	15·58	15·00	...
October	12·39	15·80	13·61	15·87	14·26	...
November	12·59	14·63	13·76	16·12	14·82	...
December	12·97	15·44	13·76	15·59	14·34	

MGIPC—L—211STB—19-12-34—275.

सत्यमेव जयते